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VOLUME II.

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THE INDUSTRIAL AND COMMERCIAL HISTORY OF ENGLAND

*(LECTURES DELIVERED TO THE UNIVERSITY OF
OXFORD)*

BY

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CONTENTS.

	PAGE
VI.	
MOVEMENTS OF LABOUR.—II. IMMIGRATION . . .	296
VII.	
MOVEMENTS OF CURRENCY.—MONETALLISM . . .	317
VIII.	
PEASANT AGRICULTURE AND MANUFACTURE . . .	340
IX.	
HOME TRADE AND DOMESTIC COMPETITION . . .	365
X.	
HOME TRADE AND INTERNATIONAL COMPETITION . . .	390
XI.	
ECONOMIC LEGISLATION, 1815-41 . . .	415
XII.	
ECONOMIC LEGISLATION SINCE 1841 . . .	441

INDUSTRIAL AND COMMERCIAL HISTORY OF ENGLAND.



VI.

MOVEMENTS OF LABOUR.

II. IMMIGRATION.

"The true-born Englishman"—The foreign merchant—The preservation of peace on the highway—Speaker Tresham—Immigration of the Flemings in the fourteenth and sixteenth centuries—Immigration of the Huguenots—Alien laws—Naturalization Act—Pauper immigration from Russia and Germany—Movement of agricultural labour to the towns.

DEFOR, a pamphleteer, who was ready to take a brief, properly marked, from any side, was, I believe, the first person who called attention to the particularly mixed origin of what we call the English race. He referred, it is true, to the immigration of Roman, Saxon, Danic, and Norman, and hinted that it be very difficult to find that true-born Englishman, after whom certain so-called patriots were said to be in search. But I am not concerned to-day with the immigration of military adventurers, such as were the several races who dominated more or less entirely over weaker races. As might be expected, the most inviting parts of the British Isles, or, to be more exact, the three kingdoms, were the most liable to these raids. The purest aboriginal blood, I presume is that of the mountainous districts of England, Scotland, and Ireland, and in each case, the western district. But the pedigree of the more attractive regions is made up from many successive arrivals. Of those parts of the kingdoms where early settlements

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were made, Southern and Eastern Scotland is, I conclude, most free from later admixtures. The Scottish Lowlands appear to be inhabited by a Teutonic race, which has been little affected by foreign immigration. It was in this part of the island that the Saxon element made a resolute stand, and in spite of the efforts made by the Norman and Angevin kings, assured itself of its independence at Bannockburn. In the same year the Irish suffered the final and fatal defeat of Athenry. When last summer I was at this little town no one knew the place where that battle was fought which extinguished Irish independence.

I am concerned with what I may call economic immigration, *i.e.*, the arrival of strangers, either as artisans or merchants, for industrial purposes. But we should understand that the attractiveness of a region to settlers depends on conditions which may vary as time goes on. There is no doubt that in early times the eastern district of England, *i.e.*, the counties which lie between the Thames on the south and the Wash on the north, were very speedily, after the Conquest, the part which foreign immigrants chiefly sought. At this time extensive forests occupied a large part of Central England. But apart from the insecurity which nearness to these forests involved, it is well known that wooded districts are liable to rainfalls which are often heavy and inconvenient. Even now the lowest rainfall in England is on the south-eastern side, and excessive rain was the principal peril of agriculture in the Middle Ages, as indeed it now is.

They who write about the life of Medieval England are exceedingly apt to confuse the peace as kept in parish and manor, and the peace as kept on the king's highway. I have no doubt that the former was very effectively maintained, the latter most precariously enforced. Everything was done to secure an efficient discipline in the place of a man's own home. The inhabitants were registered and the presence of strangers was suspicious, and in the householder who harboured them, culpable. Of course, an English village in the Middle Ages, before the magistrates superseded the parish authorities, was not an Elysium. There were people who broke the peace, there were alehouse keepers who cheated their customers, millers who took excessive toll, traders who had false weights and measures, common carriers,

who strove to avoid their liability as bailees under an implied or special contract. But it is certain that very effectual means were taken for discovering, presenting, and chastising these offences. The manor courts did not, as a rule, take cognisance of other than petty misconduct. But the inhabitants were interested in the peace being kept. The lord, who acted through his steward, was willing to improve his income by the fines levied on ill-doers. But if the fine were excessive, its object would be defeated; and it does not seem that the police of the manor court would or could lend itself to private spite. Moreover in the many thousands of accounts which I have read for my researches, it has been very rarely the case that I have noted thefts of farm produce, though the bailiffs' rolls register and account for every gallon of corn, every chicken, every egg.

But the case was quite different outside the boundaries of parish and manor, and on the king's highway. Laws, as any student of the historical life of Englishmen knows, were enacted indeed, but very imperfectly enforced. Even the great jurist Coke, as late as the seventeenth century, affirms that statute law is of no significance, unless it expound, enforce, or supplement the common law. Statutes were broken or neglected, and there was no adequate security for chastising offenders, no police organization whatever beyond that of the parish. Then there were men and women, too, who were made outlaws. The natural resource of such persons was brigandage, and as long as they preyed on the high-road, and did not harry the villagers, their depredations excited no anger in the minds of the villagers, if indeed they did not evoke active sympathy. Travelling merchants, especially foreigners, were plundered occasionally, and little heed was taken of their losses. When the monasteries became unpopular, the fact that a rich abbot or prior was captured, and held to ransom, excited no indignation. Robin Hood and his followers were objects of popular admiration, the heroes of ballads which, though modernized in their present shape, are of old tradition. But I conceive that if these freebooters had quitted the king's forest and highway, and made raids on the farmers, every one's hand would have been against them.

Matthew Paris tells a characteristic story of the robbers of Alton, of how they made raids on the Flemish merchants, who, landing their goods at Southampton, made their way through the Hampshire forests, of the international troubles which were foreseen, if these practices went unpunished, of the entire sympathy of the population with these offenders, of the refusal of juries to give evidence, notwithstanding the king's rage and the bishop's excommunication, of how the proof was extorted by imprisonment in the lowest dungeon, and of the discovery at last that the chief of the gang were found to be servants in the king's household, whose wages were indifferently paid, and who thereupon adopted this alternative of highway robbery, in order to supplement the inadequacy of their resources. Henry III. was, I believe, on the whole an amiable personage, who had, as amiable people sometimes have, an over-sanguine estimate of his own abilities, and who had, as many amiable people have, a habit of unduly procrastinating the payment of his debts. Now I do not doubt that much of this kind of freebooting went on. It did to a far larger extent, and with greater impartiality in the time of the Georges, as any one can see if one glances at the newspapers of the period. The convictions of highwaymen too were very frequent, but we may be sure that the convictions were not so numerous as to make the calling desperate. Smollett's hero, Mat. Bramble, whom he intended, and I think successfully, to represent as the type of a well-bred, honest, and kind-hearted English gentleman, takes compassion on a highwayman, who seems disposed to abandon his calling owing to his coming into some money, assists him with his credit, points out a way how he may escape justice, and assures him of his countenance and recommendations, if he can contrive to escape to one of the British plantations. I very much doubt whether the king's highway during the epoch of the Plantagenets was more unsafe than it was in those brave times when George III. was king.

But with all this, there was much internal trade. Common carriers, from a very early date, traversed the roads between Oxford and Southampton, even between Oxford and Newcastle-on-Tyne. They undertook to deliver money, of course under a special contract, and they who employ their services pay

less for the convoy than the king does, perhaps naturally, for the king's messenger would be credited with spoil worth securing, and the king had put the freebooter out of his peace. The great fairs of the country, notably that of Stourbridge, near the town of Cambridge, were frequented by thousands, for there is hardly an account of expenditure extant which does not make note of purchases at this fair. Now, not to dwell on the fact that the accounts to which I refer make no note of losses, it is clear that if the roads had been as insecure as some of our writers on the Middle Ages allege, traffic would have been impossible, and travelling most insane. I printed some years ago an account of a progress made by the Warden and two fellows of Merton College to the North of England. They do not carry arms, nor do their servants, to all appearance. But bursars of colleges after the Restoration, when the king was enjoying his own again, as the loyal songs said, carried firearms on progress.

M. Jusseland, who has written a very readable book on the Wayfarers of Medieval England, and has collected a great deal of accurate information on the subject, has cited certain instances in which outrages were committed by persons of some social standing, and seems to suggest that these perils of the road were ubiquitous. But he quotes from the Rolls of Parliament, and the narrative of the outrages in such a place convinces me that the event was exceptional. And though I am far from alleging that travelling was not perilous, I feel certain that a direct appeal to the king through a parliamentary petition, to the effect that the sheriff was deterred by *force majeure* from doing his duty, could hardly have represented a recurrent or common risk.

This author, who has made considerable use of the Rolls of Parliament, has not noted what is perhaps the most tragic story, certainly the most graphic, in those volumes. I allude to the murder of Speaker Tresham, in the summer of 1450, not far from Northampton, the story being told by his widow. But 1450 was the beginning of those atrocious feuds which caused and marked the thirty years' civil war of the royal succession. It is not to be wondered at that the time had its victims. I may only say, that from what I have seen, travellers varied their route in going

INDUSTRIAL AND COMMERCIAL HISTORY.

returning, and took care to make the route which they determined on a secret. Both were precautions taken, I make no doubt, in the eighteenth as much as in the fourteenth century. One of the best touches in the petition of Isabel Tresham is the narrative which she gives of the manner in which a servant of Lord Grey de Ruthin, Tresham's murderer, wormed out of him the secret of his intended journey. I do not think that such precautions are needed now, but I think that any man would be unwise who allowed a suspicion that he had money or valuables about him to be entertained at the time when highwaymen by profession are travelling about.

The eastern counties, and especially Norfolk and Suffolk, were on the whole open country, protected on the western side by fens. They were a good deal under the administration of the Dukes of Norfolk, the Bigods, and the Mowbrays—the latter family, for sufficient reasons, nourishing an enduring hostility towards the Lancastrian kings, and apparently protecting to the utmost of their powers, those whom the house of Lancaster, perhaps in the first instance from motives of policy, persecuted. Norfolk was the special home of the Lollards, and when the feud broke out, became persistently Yorkist, as a couple of centuries later it was as emphatically on the side of Parliament. Besides it was near to Flanders. The eastern sea is always safer than the western, and maritime enterprise on this quarter long preceded similar efforts from the west. The English sovereigns were willing enough to encourage the settlement of weavers in that part of England which was most convenient and attractive to them, and it is clear that immigration into these counties and some contiguous to them, as for example Cambridge, took place at an early date. There was also a considerable export of grain from these counties, notably of barley and malt, to Flanders. Pastolfe, the captain in the French war, who was said to have shown the white feather at Patay, and was in the end an unintentional benefactor of Magdalene College, traded largely with the Low Countries. The wool of the eastern counties was the worst which bore a price, but its barley was excellent, and highly appreciated by the Flemings, who had a high opinion of the merits of beer.

I long ago suspected that this immigration of Flemings from the Baltic was considerable in the eastern count. from the remarkable number of Teutonic names which I have found in certain accounts and papers which I have read. I do not doubt that if the taxing rolls of Norfolk, which are almost certain to exist in the Record Office, were consulted, what I have found in Cambridgeshire would be abundantly illustrated in what were the manufacturing counties of the Middle Ages. Now the history of Norfolk is peculiarly interesting. It has twice been made the seat of a weaving industry, and on both occasions by immigration from the same race, the Flemings, in the first instance by a kind of voluntary outflow, encouraged beyond question by the Plantagenet sovereigns, in the second by the compulsory exile of the Flemish Calvinists, during the time that Alva's Council of Blood, Grandville, and Titchmann were engaged in extirpating or expatriating the Flemish Protestants. On the consequences which ensued from these immigrations, social and political, I shall make a few comments further on. For the weavers of the Middle Ages, and for a long while after the Middle Ages, were and remained its heretics.

There were, however, some previous immigrations of this race into England, and at an early time, the origin of the migration being obscure. Colonies of Flemings were established in Glamorganshire, in the district of Gower, and in Pembrokeshire, as early, it is said, as the reign of Henry II. South Wales was, as you are aware, an acquisition of the English Crown, at a far earlier date than the northern part of the principality, and the principal noble of this district was the Earl of Clare. How important a personage this was may be illustrated by two facts, both, I do not doubt, known to you. The expedition for the conquest of Ireland was undertaken by one member of this family. A century or so later, the head of this house associated himself for a time with Simon de Montfort; and as long as this relation subsisted, the party which that remarkable man led was in the ascendant. But the defection of the Earl of Clare brought about the catastrophe of Evesham. Now I think it most probable that this settlement of Flemings in South Wales was intended to be a check on the native population. It is said that these districts

ably still retain certain marked peculiarities, but that they by no means friendly to their Welsh neighbours.

There was also an immigration of merchants into the city of London, in the shape of the representatives of the Hanse towns and the Flemish settlement in and about Fleet Street. Under the name of the Aldermen and Merchants of the Steelyard (a description which will suggest to you that they used measures which were different from those which Roman influences had made familiar), both in business and in currency, the Hanse towns, though comparatively speaking in their decline, were gladly accorded a settlement in London. If it could be worked out, I am sure that the origin and history of the early days in which the Hanseatic League was formed, would be shown to have been exceedingly significant in the civilization of Europe. It is clear that the association was formed in order to put down the Norse freebooters, whom a foolish habit of seeing courage and spirit in piracy and brigandage has whitewashed. In this object they succeeded; they became a power, had a treasury, and the fatal gift of property which could be plundered; and plundered they were, first by the Teutonic Knights—a gang of thieves whose history is not more respectable than the freebooters is—then by the Margrave of Brandenburg, who became in the later days Elector and King of Prussia, and in our own time Emperor of Germany, in which last capacity he has devoured the last of the free cities—Hamburg.

The Hanse towns and their League are the object of many charters. But besides them there were, in London at least, colonies of Lombards, Flemings, and other foreigners. Edward I. expelled the Jews, in consequence it appears of their inveterate attachment to usury. But it may be doubted whether the Lombards were more merciful creditors, and they were certainly less open to arbitrary plunder than the Jews were. These Italians practised usury, in defiance of English and Papal law. But English kings borrowed of them, and for the matter of that popes too. There is no doubt a strong inclination on the part of those who habitually adopt a social practice to denounce the imitation of the practice. In old days it was an unheard-of iniquity for heretics to retaliate on the Inquisition. In our own, it is a crime in the eyes of the Pope, as we are told, to adopt the practice of exclusive deal-

ing, and its complement social proscription. And yet the Pope bases his authority on excommunication and his literary criticism on the *Index prohibitus*. These inconsistencies make us wonder, as long at least as we do not take account of human inconsistency.

The English Statute Book, especially on its financial side, is full of legislation about denizens and aliens. This is sufficient to show, if we had no other evidence, how largely the trade of London and other considerable towns was in the hands of immigrant foreigners. They were not, it seems, popular, and were constantly the incidental objects of popular disfavour, when outbreaks occurred. During the period of Tyler's insurrection the Flemish merchants were harshly treated. I cannot but think that the sympathy which the London citizens exhibited towards this great uprising was coupled with the expectation that the Londoners might find occasion to harry the detested foreigner. At any rate during the occupation of London by Tyler's followers, the Flemings were very severely handled.

The immigration of Teutonic weavers from the Netherlands into the eastern counties led to marked social consequences. When handicraftsmen are aggregated into a district, there is sure to arise a habit of criticizing on, and of dissenting from, established authority. A weaver, as I have told you, was for a long time a synonym for a heretic. Now I believe, that except among philosophers, who are bound to no rule whatever, scepticism as to ecclesiastical is closely followed by scepticism as to secular authority. Wiclif began by applying his maxim, that dominion, *i.e.*, authority, is founded on grace, that is, on graced worthiness, to the Pope. He did not teach long after this avowal and its application before he extended it to temporal lords. I admit that the process was inconvenient and in a sense unpopular, but I contend that it was inevitable. Now it is certain that his doctrine took deep and abiding root among the Norfolk and Suffolk weavers. Even the beneficed clergy of the day, as the attainder roll of Tyler's adherents proves, were not proof against the general tendency, for several rectors and vicars of Suffolk parishes are proscribed among the adherents to the king's rebel. There is good reason to believe that in early days the Flemings were not severely orthodox, as their descendants are now. The immigrants

into the eastern counties had a great deal more to do with political changes than the ordinary historian knows and recognizes. In the present day Dr. Jessopp, from the point of view of a parochial clergyman, finds that he has rather stubborn elements to deal with in Arcady. To understand the facts, one must go a long way back into the local history of the race, for it cannot be too constantly insisted on, in the solution or interpretation of economic problems, that the present situation must be carried back to the past, and that unless one does do this, we may wonder at facts, but be at a loss to know what they really mean.

In course of time the industries of Eastern England decayed. Norfolk was very severely visited by the fourteenth-century plague. Soon afterwards, perhaps owing to trade regulations, many of which were Acts of the Legislature, the peculiar industries of Norfolk began to migrate southwards and westwards, and the counties lost their dominant industries, though they retained many of their peculiar characteristics. Considering the time at which it occurred, and the special character of the Norfolk peasants, Ket's rebellion is a very significant fact in the sixteenth century. That Somerset was greatly alarmed when he gave such lenient terms to the insurgents is plain, I should conclude, to all who know anything of the subject. Equally suggestive to my mind is the fact that a short time afterwards the Norfolk heretics secured the throne to Mary Tudor. She repaid them for their loyalty, so useful at the crisis and so unexpected, in a characteristic fashion.

From the Statute Book of Henry VIII.'s reign there is evidence that the population of the country towns decreased considerably during the reign of Mr. Froude's patriot king; for there are several laws enacted, in which an attempt is made to check depopulation by penalties. The attempt was of course fruitless and foolish, but it is one which people called statesmen have in our day attempted to revive or practice. The void was filled up by the great immigration of the Flemings to England, as soon as ever Alva's blood council was in full operation. We are expressly informed of this immigration. It is possible that most of the immigrants went to London. But they certainly spread into other districts, for we are informed as exactly, that the say industry of

Norwich and the baize, or as our forefathers called it, the bay industry of Colchester, were the work of the expatriated Flemings. The latter of these industries was evidently considered of great importance for the price of Colchester baize by the ell was, and long remained, the type of the woollen industry, giving, I conclude, by its invariable quotation, the price for other kinds of woollen fabrics. Many of the principal London merchants, at the Revolution of 1688, were of Flemish origin.

To these immigrants we owe the skill with which in later times we have been able to develop the arts of life. I have stated here already, and not without some shame, that we English were the most backward among the nations of Western Europe, and that we were indebted to immigrant foreigners for our first start in the industrial competition of modern times. That we have improved on our teaching I am ready enough to admit, but there still lingers I think a trace of the old temper, in a readiness with which we defer to Teutonic bounce. We have a habit of disparaging our own work and our own workmen in many departments of life, and are apt to allow that foreigners, especially Germans, know more of English literature, philology, and history than Englishmen do themselves. I am at a loss, I confess, to understand how this modesty is justified. Of course it is unlikely that the great race will hesitate to accept the surrender.

After the Union of the Crowns, the population of the counties north of the Trent rapidly filled up. It was here, I feel sure, that the great increase in the population of England which was so characteristic of the seventeenth century was effected. But it is probable that the greater part of this increase was an English migration. I have found no trace—I will not say that so negative a statement is conclusive—of foreign immigration into the new home of the textile industries. That the northern counties became early in the seventeenth century the seat of these manufactures is proved by many Acts of Parliament, regulating the woollen trade, the particulars of which are referred to in my "History of Prices." But the new industry required the protection of the police, such as then existed. Bleaching and drying after fulling was completed, as it still is in the Irish linen weaving districts, by exposure to the air; and goods out of doors attracted

thieves. Now in these vast northern parishes, and their bigness is a proof of how sparse the population was in early times, the new industry could not be carried on except sharp remedies were employed against robbers. The maiden of Halifax—a kind of guillotine—is an example of early discipline exercised on pilferers.

More significant, however, than the immigration of the Flemish weavers, was that of the French Huguenots after the revocation of the Edict of Nantes. It appears that nearly all the manufactures of France, and not a little of its business was in the hands of these sectaries. Till the epoch began in which conversion was chiefly due to Court influence, and the desire to achieve a career which was barred to the heretic, a large proportion of the nobles in Southern France, from the east to the west, had embraced the Calvinist type of the Reformed creed. Now from the first it was seen that Calvinism was certain to be in opposition to the monarchical position, and, one must add, was believed to be inimical to that union of France under a strong government, which had been the policy of French monarchs, from the reign of Philip Augustus in the twelfth, to that of Louis XIV. in the seventeenth century. Of course, long before the Reformation, the French nobles had striven to depress the power of the Crown. The English gained their entries into France in the Hundred Years' War, and owed some of their successes to the invitation and co-operation of discontented French nobles. It is no wonder then that the French king was not on good terms with the nobility till he had routed them. But when, in addition to this hereditary tendency, they added the stimulants of a republican religion, the movement was more distasteful than ever. We hardly require any other explanation of the hatred of the reigning powers to the Huguenots, and the repeated massacres that took place. The Calvinist nobility had, it is true, put Henry IV. on the throne, though the new king did not think himself strong enough to do without conformity, being convinced that his old comrades would not desert him. But he gave them security by his celebrated edict of toleration, and they were on the whole, worthy of the trust which was put in them. But after the affair of Rochelle, at the beginning of our Charles I.'s reign, and the foolish expedition of Buckingham, Richelieu thought it necessary to gradually disarm

them. Neither Richelieu or Mazarin had any religion, but they had a good deal of policy, and their policy was the union and strengthening of France. But if the policy of those able and unscrupulous men had been followed, I do not believe that violence would have been done to the French Calvinists, whom the schemes of Colbert were making the most useful instruments of French wealth, disastrous as those schemes were to the general interests of the country.

I mention these facts, because there is an explanation, from an administrative point of view, of the policy which was adopted towards the French Calvinists during the first three quarters of the seventeenth century. There is an explanation, but no apology, for the action of the French Government in the last quarter. The Huguenot aristocracy had generally conformed to the State religion, and there was no reason why the king and his counsellors should be alarmed at Calvinist preachers, merchants, and artisans. But after the peace of Nimègue, Louis became utterly intolerant of any divergence from his views on any subject whatever. The French king was not a moral man, for his illegitimate children were exceedingly numerous, and very efficiently acknowledged. Nor was he a loyal Catholic, for he quarrelled with the Pope, and gave a precedent for despoiling him of his temporal power. But in his eyes the man who presumed to differ from his sovereign's religion was to be coerced into uniformity, or expelled. He was very like our own Henry VIII. in temper, though vastly the superior to that monarch in intelligence and real force of purpose. So Louis decided on expelling the most wealthy, capable, and enterprising of his subjects.

They came to England by thousands. Our people never took kindly to foreigners, least of all to Calvinists, particularly after the Commonwealth and the Restoration, but they welcomed the French exiles. They gave a practical proof of their goodwill in the great subscription which they raised, considering the times, for their relief; quite a third, and not far from half of the yearly revenue of the Crown. It came from all quarters. The subscriptions of the Oxford Colleges at that time the advocates of non-resistance and divine right in its most grotesque and absurd form, were great and unexpected. Some of the colleges, as I have seen from

their accounts, undertook to pay handsome yearly allowances to dispossessed Calvinist ministers. The King (James) was puzzled at the zeal. But his indignation was more powerful than his anxiety to explain so unexpected a liberality. It would have been better for him if he had worked out the problem, and desisted from his purposes.

Many of the French Huguenots emigrated to Holland. But a very large colony settled in England. The artisans set up the silk industry in London, occupying a considerable district in Spitalfields, and extended the say industry in Norwich. There is good reason to believe that they were great promoters and improvers of pottery in many parts of the kingdom. Many families, some of them early ennobled, trace their origin to Huguenot immigrants. To pass by the career of military men, like Schomberg and Ruigny, many persons eminent in letters, in the public service, and in the learned professions were the descendants of these exiles. Several names, presumably French, are found in the first directorate of the Bank of England. I do not pretend to have studied the pedigrees of these exiles. I do not even know whether an attempt has been made to trace them. But one remembers certain names. Perhaps few persons did greater services to the English people than Sir Samuel Romilly, the reformer of our atrocious criminal law. He was of Huguenot descent. Nor do I doubt that much of the loyalty to the Act of Settlement, needed for a long time after the Revolution, is to be traced to the English of Huguenot origin. They had been received generously in England, and they were at once grateful to the country of their adoption, and to the principles which secured them in their new abode.

England has not been generally disposed to welcome aliens to the privileges of English subjects. Even when the union of the two crowns was effected, Scotchmen remained under divers disabilities, which were not removed except by negotiation at the time of the Union. It appears that by the common law it was even out of the power of the king to naturalize an alien. The utmost the Crown could do was to make him a denizen. When during the Commonwealth children were born to some of the Royalist exiles, it was held that an Act of Parliament was abso-

lutely necessary, in order to give them the rights of British subjects, and such an Act was passed (29 Car. II. sec. 6). To this rule it seems that there were originally only two exceptions, the children of ambassadors and those of the reigning monarch. But it is to be noted that an Act of Parliament (25 Ed. III. stat. 2) declares the latter to be "the law of the Crown of England." There was reason in this, for the second and third surviving sons of Edward were born in Flanders.

The first general relaxation of the old law was made by an Act of William III. (12 cap. 2). Since that time naturalization Acts were passed on behalf of individuals, by virtue of which they became, certain reservations being made, or conditions generally specified, to all purposes British subjects. More recently, and at the instance of the United States Government, which admits vast numbers of immigrant settlers, and was disposed to resent the ancient law under which, according to the maxim, *nemo potest exere patriam*, a subject could not throw off his allegiance, the acquisition of the rights of subjects by foreigners is made exceedingly easy and inexpensive. Parliament, in short, has acted as Parliament is accustomed to act, was unreasonably tenacious of an untenable position, and made an almost complete surrender when it yielded at last. There is nothing to prevent Great Britain from becoming a *sentina gentium*, and there are persons who are of opinion that we have gone too far. There are already symptoms that in some of our large towns, and notably London, native-born artisans and labourers are beginning to resent the wholesale immigration of foreigners, and that some of this jealousy is felt in other quarters.

The United States, though decidedly wishful to encourage immigration, exercise a very energetic police over their visitors, though Professor Bryce says that it is occasionally relaxed. They insist on knowing what their antecedents are. They cannot, perhaps, entirely prevent the settlement of criminals, especially if they are what I may perhaps call capitalist criminals, but they would emphatically resent any impulse being given to such undesirable arrivals. They have excluded the whole Mongol race from settlement, even a temporary sojourn in the States; and, if I can accept the reason alleged by my friend, Mr. Francis

Walker, who for some time managed the American census, for a sufficient cause. They will not have paupers. They will not accept foreigners who have been expelled for reasons of government, as the Russian Jews. At New York a very effective inquiry about emigrants is held at Castle Gardens, and none but likely persons are allowed to proceed into the interior. Even when they are permitted to settle, the States, liberal in the highest degree to useful foreigners, put temporary disabilities on the political privileges of the immigrant. The settler must be of some standing before he can vote, and then must make a declaration of his intending to be a citizen of the States. And even after he is qualified, certain offices are reserved for native-born citizens.

These precautions, then, are taken against undesirable immigrants in a country whose sea-board is some 3,000 miles distant at least from the immigrants' place of origin, and in many cases is much more remote. One would think that the helpless and useless would hardly find the means to undertake so distant a voyage. The Americans therefore conclude that when such persons arrive they are sent out by some administration, and the States are in no honour for being made the victims of an experiment, of a social difficulty, of a social prejudice, of a social inconvenience. They are charged with deferring to the immigrant Irish, but unless all my informants are mistaken, they resent being the recipients of those whom they conceive, rightly or wrongly, to be the victims of a vicious political and social system. When the evil, whatever it may be, is, in their opinion, of measurable magnitude, they have a way of jesting on the fact that it is their destiny to cure the evils of European Governments, and to bear the vexation and costs of the process. But they can be tired of the experiment, and the outbreak of the German anarchists at Chicago, sharply and rapidly suppressed, tried, as I am informed, their patience to the utmost. With the conceit which, in one form or another, seems to affect all communities who have a belief in their destiny and the excellence of their own institutions—I do not find that we are free of it—they conclude that many immigrants import the vices of the Old World into the States, and that they give a great deal of trouble before they are rid of old and bad habits. And it must be admitted that

almost alone among settlers of British descent, the United States have an extraordinary power of assimilating the very varied peoples who settle among them. Out of the sea-bound towns English, Irish, German, Italian, Scandinavian settlers acquire in a very short time all the characteristics and all the political utterances of the native American.

Now we are not to expect, especially as we exercise no supervision over those who come hither to settle, that a distance which is not more than a hundredth of that space which separates the Old World from North America will guarantee us immigrants even of the average quality which the American Union procures. The immigrant from a distant country may be fairly considered to have weighed the circumstances well before he made the venture; to be possessed of those qualities which are likely to secure him success in the country of his adoption; to be enterprising, competent, satisfied with the field of his future operations; and to be possessed of means sufficient to maintain him while he looks about him, or with friends in the country who will welcome, shelter, and assist for a time till he settles. Spontaneous emigration to a distant country is generally of the best and most hopeful states among the working classes, whose departure is a loss to the country of their birth and bringing up, a gain to that of their adoption. If you take men who are always wanted in a new country, of which character most of the immigrants into the States and the British Colonies are, the exportation of wealth in skilled and competent labour, ready at once to assist the productive energies of the country to which they go, amounts annually to an enormous sum. It is no marvel that, despite their atrocious and demoralizing financial system, the wealth of the American Union grows at so rapid a rate. The character and purposes of the immigrants is sufficient to account for the result. The Union takes a tribute from the Old World, being at the pains to regulate it by the best machinery, which it can devise, in the shape of skilled labour, which, if the true balance of exports and imports were given, would very materially modify some conclusions as to these matters which foolish people have arrived at. We export annually an enormous amount of national wealth, without any equivalent in return for it.

On the other hand, the immigrants whom we receive crowd hither for totally different reasons. Coming to a near country, they are unenterprising, shiftless, often sunk in poverty, and an instant burden to those among whom they come. There are sentiments, some honourable to our humanity, some, it would appear, which are far from creditable, which induce people to look complacently on this ever-increasing tide of foreign beggary and foreign pauperism which flow into this country and especially into London. It is honourable to the English race that they are willing to see this country an asylum for the persecuted and miserable of other governments. There have been periods in our economic history when the shelter which we have given immigrants has been abundantly repaid in moral and industrial return. We have learnt more from these people than we have taught them. But it is quite conceivable, and, according to some careful experiences, real, that our shelter may be too liberal, may be even suicidal. It is quite possible that such persons are encouraged here, because they form a perennial supply of cheap labour, and become the ready victims of the farmer of labour, now called a sweater. It is probable that they may seriously depress the wages of born English men and women, and be answerable for the lack of employment and poverty whose reappearance is becoming periodic in London, is a very serious social difficulty, and threatens to become a still greater one. It may be that a community, through its administration, should find employment and accommodation for those who can find neither, though this is a very arguable question, but it certainly cannot be the duty of those who work for their living, *i.e.*, the persons who repair the annual consumption of wealth, that they should find work and house-room for all the waifs and strays of Europe, for all the failures of the paternal governments of the Continent. It may be doubted whether there can be an excess of a healthy, vigorous, industrious population, but every addition we may chance to get from the vagabondage of Europe is an excess of population with a witness.

I am well aware that it is unpopular to suggest a restraint on these immigrants. They fly from persecution as the Russian and German Jews do, and the appeal is to our humanity. They fly

from an all-devouring military conscription, and it seems to be a homage to our more generous and free institutions. They avoid by their voluntary exile the incessant meddlesomeness, the mischievous and pauperising effects of the financial system with which financiers in the several European states are enamoured or besotted, get better prospects of employment as they think, more goods for their money, more freedom for their life than they did at home. It is a compliment to us, it seems, that they prefer Great Britain to the place of their birth. But one may buy compliments too dearly. There is nothing as far as I can see to prevent European governments from shovelling their paupers, their lunatics, or even their criminals on us, without any check whatsoever on our part. There is no great advantage as far as I can see in exchanging the best of our peasants and labourers for the squalid offscourings of continental cities. Perhaps one of the most formidable facts in modern social life is the increasing burden of pauper lunacy. It is not to be wondered at, if we are annually depleted of our strongest, most resolute, and most enterprising stocks, and have to put up with a residuum, reinforced, if one can use such a verb, with a further European residuum. Some time ago I was struck with the reports sent to me from the metropolitan asylums as to the great and growing increase of lunatic foreigners in those necessary places of refuge. I am quite certain that every country but our own would take steps to check so undesirable an element to the population.

Hitherto the working-classes in the large towns have shown but little hostility to this intrusive foreign element. But it would be a mistake to think that they are not dissatisfied with it. As yet, however, workmen are very imperfectly organized, have very little *esprit de corps*, and where they are organized are strangely indifferent to the miseries of unskilled labour. There are callings to be sure in which the union is almost complete. But I should be surprised if I found that more than 8 per cent. of the working-classes are united into trade unions or labour partnerships, and I should be exceedingly gratified if I learned that the trade unions were seriously taking up with a view to reporting on, as they could do very effectually, the number of the unemployed, and the causes of their condition. If they did, I am convinced that foreign

immigration of the poorest, most helpless, least serviceable classes would be dwelt on with peculiar emphasis. A few years ago one of the London papers requested the opinion of known politicians and economists on the question of the unemployed, and consulted me among others. I told the editor that in my opinion there was only one process by which the facts could be arrived at, the action of the trade unions, who could report on the actual situation and the causes of it. It has not been undertaken by those organizations. Meanwhile imperfect and spasmodic attempts have been made to remedy some of the worst features in the system, and very crude nostrums have been promulgated, as the regulation of the hours of adult labour by the State, the establishment of national workshops, the supply at the public expense, *&c.*, at the expense of honest and successful labour, of adequate house-accommodation for the poor. I venture on predicting that if any of these expedients were seriously adopted, the stream of immigrant continental pauperism would become a torrent, and that the latter end would be worse than the beginning. After all, perhaps, our old laws, discouraging the settlement of aliens, except for very sufficient reasons, were not so very ungenerous and inhospitable.

Under conditions which are not quite so unsatisfactory and, I may add, unsavoury as one can take account of in Eastern London, Great Britain has considerable attractions to the natives of certain European countries. We have a great and an increasing German population in England, for I do not hear that they migrate in considerable numbers north of the Tweed. They are not, with certain exceptions, much devoted to manufacturing industry, but swell the ranks of the middleman, of agents and traders. It may be the case, as some allege, that the trading Englishman has become so well off that he is content to make room for the more needy and more active settlers of immediate Teutonic descent. But there are many motives for this immigration. The youth escapes barrack life. Sharply as they compete against young Englishmen, the wages which they earn are better than those which they can get in the deliberately restricted markets of their own country. They are said to be better educated, more versatile, and less insatiate after amusement than our own young people. It is stated too that they are more observant and imitative; some-

times inconveniently observant and imitative. To many of them a temporary residence in England is an exceedingly practical apprenticeship which they can put to good use either here or abroad. To such people England offers many attractions. If they prosper, they have a far wider field than they would have at home, and the opportunities of a far pleasanter life. The social system of England is far more generous and far less inquisitive as to the sources of wealth than that of Germany is. We have no noble class, and many of those who belong to our limited nobility are not unwilling to associate with wealth, however obtained and accumulated. Now if a rich man is snubbed in the country of his birth, but welcomed and even respected in that of his adoption, the latter has irresistible attractions for him.

There yet remains in connection with the immigrant movements of population a question of great gravity. I mean the growth of towns and the character of the elements from which they grow. A century ago England was eminently a country of rural life; at present it is as emphatically one of town life. The rural population is decreasing, to the satisfaction of some people, to the alarm of others. There are facts in connection with this very marked change which justify to a considerable extent the alarm.

I am by no means convinced that the art of agriculture has made less progress than manufacture has, but I am sure that manufacturing ability is more diffused than agricultural skill or ability is. Where an Englishman or a Scotchman is a really competent agriculturist, he has no rival in any country whatever. But to be successful he must not only understand his craft, but must measure his expenditure by his profits, keep accurate accounts, and know how best to dispose of his produce. I do not villify a calling, in which for many reasons I have the warmest interests, when I say that such conditions are rarely co-existent. The absence of them is the primary, I might almost say, the sufficient, explanation of what is called agricultural distress. When Arthur Young wrote his *Tours*, agricultural produce was not more than half its present price, taking all things together, the cost of labour, more efficient then than now, was, excepting for two months of the hay and corn harvest, not more than a shilling a day, and the price of such tools and implements as the

agriculturist needed were cheaper than they are at present. But over and over again Young insists that adequate cultivation requires a capital of at least £5 an acre. Now more than a dozen years ago, I learnt to my surprise that in Oxfordshire the average capital on land was less than £4, and I had no difficulty in predicting a catastrophe. It came like a cataract in the first bad harvest.

Now the rural population has decreased, the number of farmers, owing especially to the pernicious and short-sighted custom of consolidating farms has decreased, and the skilled farm-hand has to a great extent vanished. Near a quarter of a century ago, I foresaw the exodus of the peasantry, and I forecast, to the distaste and wrath of those who took note of my utterances, the evils which would ensue from the change. It is I am sure in the last degree unwise to utterly alienate the peasant from the occupation of land, and I am an ardent advocate, for very sufficient and entirely economical reasons, of that recall of the agricultural labourer to the land which has been parodied into the three-acres-and-a-cow cry. I am quite certain, for reasons which I have given before, that peasant-farming would greatly elevate the condition of farm labourers, would give a better class of workmen to the farmer, and under adequate guarantees, would greatly lessen the dependence of consumers in this country on foreign supply.

Now what has become of these hands? Many of them are no doubt cultivating the soil in the United States and the Colonies, *i.e.*, the most enterprising among them, those I repeat whom we can least of all afford to lose. As I was returning from my first visit to the States, I came across a specimen of this class. He was a cabin passenger, of about sixty years of age, whose face and hands bore evidence of hard work and exposure in the extremes of the American climate. When his shyness wore off, he told me that he had emigrated thirty years before from the town of Nottingham, that he had been brought up as a farm-hand, that he had saved a little money, and had resolved to emigrate. His history was that of thousands in the States. He had worked at first, and for good wages; had purchased and enlarged his homestead, and was now the possessor, beyond house and farm, of several thousand dollars. He had never returned

to the old country since his exodus ; but his sons had grown up, had followed his calling, and they too had prospered, so that he could safely leave the conduct of his affairs in their hands. He had an object in returning to see two sisters of his, whom he had long supported, on whose old age he proposed settling a part of his wealth. Then he would return. He asked me then what was his route from Liverpool to Nottingham. I should have liked to see that meeting. I do not wonder that America has its attractions for the peasant.

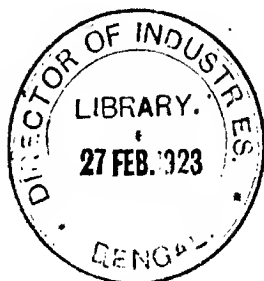
But a very large number has gone to swell the ranks of unskilled labour in the towns. No doubt many of these have, in time, though after many hardships, accommodated themselves to manufacturing employment. There are of course certain handicrafts in manufacture in which, to gain the requisite skill, eye and hand must be educated from childhood. But many can be learned by adults. In other callings such persons remain labourers, with less content than the Irish hodmⁿ had, who said that his calling was to run up and down a ladder, with hods full of bricks and mortar, while another fellow at the top did all the work. They are fortunate if they get work. Many of them get nothing or little to do. Some three or four years ago some friends of mine in the borough which I represented, got up a society for the relief of the deserving poor in the winter. One Saturday night they got together about a hundred, more or less, of these unwilling waifs. They had had no midday meal, and no money for a night's lodging ; and my friends, as their object was, fed and housed them. Over 90 per cent. were agricultural labourers.

Labour has not been exiled from the country because machinery has been substituted for the work of the hands. On the larger Ulster farms, as I found when I was there, double the number of labourers are employed than used to be in England at the best epoch, *i.e.*, one skilled labourer to twenty acres, for I found that the rate was one to ten, not, observe, Irish, but statute. There was every kind of new and expensive machine too employed. The decline of British agriculture is due to the waste of capital. Who has got it and spent it, I know only too well, and have stated the facts, before a more august assembly than this.

The immigration of the industrial population into the towns,

for that of idlers has no interest, is the most formidable phenomenon of modern experience. In so far as it is due to economic causes, it is not only intelligible, but desirable. In so far as it is a result of anti-social and mischievous practices, it is deplorable, and calls loudly for remedies. Meanwhile there is an increasing cry on the part of those who have lost hope, that the remedy should be subversive of the existing order of things. I can only foresee that people who have committed more wrong than is bearable, will hereafter run a serious risk of receiving less than is rightly their due.

[N.B.—Since these Lectures were written a great deal of information has been collected on the subject of the influx of foreign labour and native agricultural labour into the large towns. Charles Booth's "Life and Labour in London," vol. i., has a chapter by H. Llewellyn Smith, especially devoted to the subject, in which many figures and much excellent argument are given to show that some of the statements contained in the above Lecture must be modified, as far as East London is concerned; and there is no reason for thinking that that district differs materially from other large centres of industry in this respect. I have, however, adhered to the rule given in the preface of only altering the text where the continuity of the Lecture will not be interfered with. A.G.L.R.]



VII.

MOVEMENTS OF CURRENCY.

BIMETALLISM.

Attempts of governments to regulate trade—Unpopularity of the excise—The exportation of English silver—Variations of the mintage of coins in England—The proportion of silver to gold—Free mintage—Eight principles for the regulation of coinage by the State—The Bimetallic movement of 1825—Three causes which diminish prices—Effect of the discoveries in Australia and California—The adoption of a gold standard in Europe—Bimetallism and the rupee.

AMONG the errors which governments make about their powers, none is more inveterate and disappointing than that which they commit when they are under the impression that they can regulate the course of trade. They can, it is true, prohibit trade altogether, as was done, though not with complete success, by some Mongol monarchies, notably China and Japan. They can destroy industries, almost, it would seem, beyond hope of revival, when a wiser or more generous policy is adopted, as the English Parliament did by the industries of Ireland, and would have done, had it dared, by the industries of Scotland. It is even possible for the policy of governments to ruin that which they design to foster. This, unless we are misinformed by all experts, is the effect of the protective policy of the United States on the mercantile marine of the Republic. It is indeed a question which may well be argued, whether a protective system does not in the end always injure the very industries which it designs to foster. For we should never

forget that when government travels out of its proper sphere, which is to arbitrate between contending interests, to decide what is the equitable settlement of their relations, and even their contracts, and if inveterate stupidity and selfishness is doing mischief, or even inflicting private wrong, to give the force of law to its conclusions, and to coerce the obstinate illdoer. If, I say, it travels out of this sphere, it instantly enters on dangerous and at the best highly debatable ground. It runs the risk of becoming a partisan instead of a judge in equity, in giving the force of law to importunate and indefensible claims, and of subscribing to the most mischievous heresy which a government can fall into, that of admitting that the sustentation of private interests is a public good. I could occupy the whole of my time this morning with illustrations of the evil which has been done when governments have listened to, and been beguiled by, this plausible theory, and I could trace with exactness and conclusiveness the worst disasters which have befallen civilization and society to this fatal doctrine. In short, however plausible the arguments may seem, by which this doctrine is supported or defended, however cogent seems the case which is made out by the applicant for government favour, the more vigilant should be the scrutiny into the merits of the case, and the more thorough should be the proof, that this instance at least, is an exception to the general law. I do not deny that there have been exceptions, though even in most of these cases the evil in the end has outweighed the good. There was a defence for the East India Company, there was a defence for the exclusive privileges of the Bank of England. But I very much doubt, whether in the long run the privileges which these two remarkable corporations acquired and exercise were not injurious rather than beneficial, certainly to the public, and not obscurely to the corporation.

The restraining power of governments in respect of trade, where the sympathies of the public whose affairs they administer are against their policy, will bear but little strain. During the Wars of the English and Spanish Succession, *i.e.*, from 1689 to 1697, and again from 1702 to 1714, it was the policy of Parliament to prohibit trade with France, and in particular to shut out French produce from the country. But the attempt was a failure. The

public took the part of the smugglers, and the tax was for a brief time an impost on the ordinary trader. Very speedily the trader say in London, made common cause with the smuggler; the revenue of the customs was diminished, and the ends of the government revenue and policy were defeated. I have recently made it my business to collect the prices of French goods in London and elsewhere during the prohibition, and the Methuen treaty. Nearly all historians and economists are under the impression that these restraints and prohibitions were effectual. An examination of price lists proves that they were nugatory. French wine and brandy is no dearer, and the prices are freely quoted in trade lists, in newspapers, in advertisements. And the same is true of French silks. The prohibition of these articles did not save the Lutestring Company from a complete and ruinous collapse. In Scotland after the Union, our Northern fellow-countrymen were rightly and wisely admitted to all the trade privileges of their Southern neighbours. But they abhorred and would have none of our revenue laws. In vain did the judges admonish the magistrates, that these laws must be obeyed, and the customs collected. In vain did the most eminent of Scottish statesmen, Duncan Forbes, reprove his countrymen for their habitual breach of law and order, and becoming indignant, ask the Scottish country gentlemen, whether any one of them could lay his hand upon his heart, and declare that he was not a scoundrel. In vain the most eminent men of letters were appointed to well-paid offices in connection with the revenue. David Hume, who repaid his handsome sinecure with incessant abuse of the English taxpayers who gave him his wealth; Adam Smith, who had a similarly lucrative office, but was more courteous. Does not Macpherson inform us that the costs of collecting the Scottish customs was in excess of the receipts? It is true that towards the end of the century, the government of the day endowed the services of Burns with a pitiful place in the excise. But it may be very well doubted whether the Scottish poet really earned his salary, if receipts are to exceed expenses. It is quite certain that this author joined in the outcry against his own calling, and proffered his thanks in most amusing verse, to "the little black devil, who carried away the exciseman." A preventive service we may depend upon it, on

behalf of the customs duties, is rarely effective if the population sides with those who make it their business to break the law.

But of all the articles which make up trade, none is more difficult for a government to regulate than that of the precious metals, or for many centuries the movements of silver bullion and coins. For as I have told you, when a man takes money, he takes that kind of merchandise—I am speaking of traders only—which is of the least value to him, unless he can get rid of it in the shortest possible time, and with the least possible hindrance. If he imports foreign articles, his object is to trade with them at a profit. If he imports foreign money, he wishes at once to exchange it for trade commodities in order that he may make his profits continuous. No trader from the days of the Plantagenets to those of the house of Hanover, ever has wished or could wish to retain more money in his hands than was sufficient for his trade and his liabilities, and his instincts and experience would lead him to resist or baffle any expedient of policy which would compel him to retain what he knew it was his interest to get rid of. The king strove to limit trade in certain staple produce of England to certain markets, notably wool and hides. It is certain that the regulations were evaded, and that trade in these articles was carried on in a hundred ports. He strove in the same way to secure a balance of bargain on such trade as he thought he could regulate, and he complains that the country is denuded of its treasure, when probably the expedients which he had adopted were the very means by which the disappearance of treasure was simulated. There is nothing more absurd, in the economical history of this and other countries, than the regulations adopted for the control of the trade in the precious metals. And yet these regulations and restraints were continued up to 1819, when they were swept away at the final resumption of cash payments, and the trade in the precious metals was made free. The fact is, of all articles, the precious metals are the most mobile or fluid.

Up to comparatively modern times the currency of Europe was silver. It was so during the Middle Ages; it was so long after the discovery of the great American mines at the conclusion of the sixteenth century, for the principal supply of the New World was silver. This was partly due to custom, partly to the fact that

except in one district in Europe, silver was the only metal which could be procured in any abundance. There were, it is true, superficial deposits of native gold. Such was the case in ancient Gaul, Britain, and Spain. But these casual sources of this precious metal has been collected and absorbed in ancient and even in prehistoric times. In the fifteenth century it is said that gold of the finest quality was still procurable in Ireland. It seems to have been mainly used for personal ornament, though there was a British gold coinage before the invasion of Cæsar, for many specimens, even of prehistoric kings have been found. But the supply of gold in Eastern Europe and Western Asia seems to have been far more copious in early times. Perhaps as a succession from the Western Empire, the Byzantine coinage was largely gold. When there was close commercial intercourse with the Eastern Empire, Asia Minor, Syria, and Egypt, the Italian cities at the end of the thirteenth century began a gold coinage. It became to some extent at least the currency of the Papal Court at Rome, and afterwards at Avignon. It was imitated, though the Mint issues must have been very small, by the Plantagenet kings. Practically, however, till near the close of the seventeenth century, the currency was mainly silver.

In an earlier lecture, I pointed out to you that the source of silver, up to the time in which the New World, and especially the mines of Potosi were discovered, was particularly England. Sulphuret of lead (not indeed in the wide veins recently discovered in the range of the Rocky Mountains) has been from time immemorial worked in several parts of England. Now this ore always contains silver, sometimes in considerable quantities. I think that I am entirely right in saying that those countries with which early English trade was generally carried on, are destitute of lead ores. I am nearly as convinced that at the time of which I am speaking, perhaps in all cases, silver is produced almost exclusively from the lead ore to which I have referred. There was a considerable export trade in lead, and I have never found in all my researches, a trace of its import from foreign countries. And though the arts of roasting galena, and subsequently oxidizing the metallic lead, with a view to the separation of the silver were made, they were certainly obvious, easy, and traditional. The

search after the more valuable metal was not exhaustive as it is under the modern process with which refiners are familiar, that by spelter. But it is not impossible that processes were lost after the cost of reducing English ores was too great for competition with the new American silver. Now I am persuaded that, in England at least, the principal source of supply was the lead mines. But lead during the whole time before the rise in prices, due I am certain to changes in the currency after 1563, is not dearer, nor is silver cheaper, and I therefore conclude that, as long as it lasted, the process and the prices were equally *in equilibrio*. But English lead was cheap, and was largely exported, for it was used extensively in France and Flanders, at any rate for church building.

There were two articles then—one exclusively of English produce, the other mainly—wool and silver. The process by which the former was distributed is well known, and its peculiarities as a financial instrument, it being solidly taxed on exportation. The financial annals of this country, not indeed perfectly preserved, but very fully, and very characteristically, show us how the export of wool was used for revenue purposes. But there is no record of the export of silver, and for the sufficient reason, that it was illegal to export it, as far as paper or parchment Acts of Parliament could make it illegal. But as every student of early English history knows, a law was one thing and its efficiency quite a different thing. The king's exchanger was personally, or by deputy, present at all the great marts; his control over trade transactions was another matter.

There were two great outlets of English wealth, in the form of currency. The one was the foreign policy of the Plantagenets, a policy which was continued at intervals from the middle of the thirteenth to the middle of the sixteenth centuries. The king who wished to control the export of his subjects' specie, had no objection to exporting it himself in order to serve the purposes of his ambition. Considering the times, the drain of treasure for the military chests of the Edwards and the Henrys must have been enormous. The English army you will remember was not collected by conscription as the foreign militias were, but by enlistment. It was drilled well, and handsomely paid. It was small, but singularly efficient. The daily pay of an archer was as

high as that of an artisan, and he was equipped, very probably provisioned to boot. I do not believe that a single continental nation could have kept an army on foot like that which the Edwards had at Crecy and Poitiers, Henry at Agincourt, and elsewhere. Now the maintenance of these forces came, I am sure, from my investigations into the facts, out of home-grown wool and home-produced silver.

The other source of the drain was the payments to the Papal Court and its nominees. We are constantly told—it may be exaggeration due to discontent—that the drain on England was equal to the Royal Revenue. The statute of Provisors was the subject of heartfelt and sincere indignation at Avignon and Rome. The contemporary writer in the first half of the fifteenth century, while though a good Catholic he is sincere in his devotion to the Roman faith, has no language too strong for his indignation of the Papal Court, at its plunder of English benefices, and at the intrigues and threats it used in order to get rid of the hateful statute of Provisors, inadequately as it was obeyed. Martin V. threatened to put England under an interdict if it were not repealed, and would have acted on his resolve, if death had not prevented him; though he owed his election, according to the same well-informed authority, to Cardinal Beaufort.

English wool and English silver were not such dominant forces as they had been after the New World and its plunder were discovered. But the treasures of New Spain were insufficient for the projects of Charles V., and even less sufficient for those of Philip II. Charles was always in pecuniary straits, and Philip at last became bankrupt. But in the interval, the power of England shrank to that of a third-rate power, more respectable I conclude for its memories than for its actual power. But it is to my mind very doubtful, whether England received any notable part of the new treasure till the beginning of the seventeenth century, and when it did, it procured it of course by foreign trade, this being the trade of the old East India Company, whose career was very prosperous in the first half of the seventeenth century, and still more prosperous in the second half.

But I must now call your attention to the relations of gold and silver as currency. For all practical purposes, gold was not a

currency in England till the seventeenth century. There is said to have been a coinage in 1257, but no specimen has been found of it. There was one in 1344, and so onwards; but it was almost certainly for foreign use, and the exportation of it was permitted. Now, I pointed out long ago, that the price of gold bullion weight for weight with silver, at the period of this first reported coinage, was as $9\frac{1}{2}$ and 10 to 1; that towards the end of the century the ratio rose to 12 and $12\frac{1}{2}$ to 1, and that gradually gold became relatively dearer, till at last, when the two metals were in circulation together, the ratio was at from 15 to $15\frac{1}{2}$ to 1. By this I mean that different weights of silver were required at different times, in order to purchase a given weight of gold. I pointed out, too, in my lectures last year, that the cause of this rise was the gradually increased use of gold as currency, commenced as far as the Western World was concerned, by the adoption of gold currencies in the Italian trading cities. The evidence of these relative prices is not very abundant, but, as I am sure, conclusive. No doubt, if one could discover information as to frequent purchases of gold, the information would be more copious, and would give us an insight into changes in the relative value of the rarer metal. But it would not be more decisive. I am perfectly satisfied with the proof as to the change in the value of gold between the reign of Henry III. and that of his son, an interval of about forty years.

Beyond the fact that all recorded information as to the relation of social instruments to each other has a value in the history of all social relations, the principal and important inference which one can draw, and with absolute confidence as to these early prices of gold, is that the fundamental cause of value in the precious metals is their use as currency. This conclusion is not so obvious as it might appear. Up to recently, ordinary political economists have been accustomed to accept Mr. Senior's dictum, that the measure of value in the precious metals is their use in the Arts. It is very possible that this view is still accepted, notwithstanding the experiences of the last fifteen years, during which events have occurred which would, one might think, induce these people to reconsider their conclusion.

I make no doubt that the managers of the English Mint had this knowledge before them, in what seems to be the capricious

coinage of the seventeenth and eighteenth centuries. Taking its value as given in the records of the Mint, Elizabeth coined six times as much silver as she did gold; James more than twice as much gold as he did silver. Charles, however, coined nearly three times as much silver as he did gold, and the Commonwealth, whose issues were not large, more than six times. Charles II. coined silver and gold in approximately equal quantities, his brother four times as much gold as he did silver. In William's reign the coinage of silver was nearly three times as much as that of gold. Now during this period there were two recoinages on a large scale. That of Elizabeth, in order to extinguish the base money of her father and brother; that of William, in 1696, to restore the worn and clipped money. In the former case, the new issues are known to have been derived from the base money; in the latter, the metal must have been purchased to at least half the extent of the new issue. Besides during the reign of Charles, there was a considerable coinage of plate, mainly, I presume, by the king's party. Hence, in three of these reigns, there were distinctly disturbing causes which should be held to explain the great excess of silver money which was issued by the three sovereigns.

Now, to credit these sovereigns with an intelligent appreciation of the wants of commerce and a wish to relieve the currency from all but the most obvious strains, is to infer that which reason and experience could not warrant, but would be an absurd anachronism. The Mint was looked on as a department of the exchequer, and as subordinated to the Royal Revenue. It received money in payment of taxes and dues; it coined what it needed for the expenses of government; and it coined, we cannot doubt, that metal which it could procure at the cheapest rate, in preference to that which cost more. Thus, between 1701 and 1724, according to Erasmus Philips, value for value, fourteen times as much gold was coined as there was of silver. The writers of the time explained this fact by the over-valuation of gold in England, and its consequent importation in exchange for silver. The same excess of gold coinage marks the first seven years of George II.'s reign. It cannot be doubted that the Mint coined the cheapest metal and strove to give it circulation. It is true that early in the eighteenth century it reduced the guinea from 21s. 6d. to 21s.

but there is good reason to believe that even at this rate the gold currency was over-valued, and that while the profit of the Mint consisted in the coinage of gold, the profit of the bullion dealers lay in the exportation of silver and the importation of gold.² The exportation of British coin was prohibited. I have already stated that for sufficient reasons this prohibition was sure to be inoperative. But the government of the day, by putting a mint charge on the coinage of gold and silver, *i.e.*, by exacting a seignorage, had recourse to a far more effective check, for it will be plain to you that the coin when out of the kingdom was worth less in bullion than its nominal value. Besides, the silver currency was that which was generally in circulation, and nothing but a very small denomination of paper money can extract metallic money from those who must needs have and use it. The operations of money-dealers were therefore limited to the silver in the market, and this was no doubt procured by the trade with Spain and its transatlantic colonies.

Two propositions are very commonly and confidently laid down by some modern theorists on metallic currencies. One is that the ratio of $15\frac{1}{2}$ to 1 between gold and silver has been, or was, undisturbed for a century and a half, and that during this time there was a free coinage of gold and silver. Both of these statements are out of harmony with the facts. For the first half of the eighteenth century, at least, you will not take up a newspaper which busied itself with commerce, without finding in it quotations of the price of gold and silver bullion and foreign money, both gold and silver. Now if the ratio had been immutable, what was the use of publishing this intelligence. But an examination of the returns proves that no such immutable ratio existed, but that even in time of peace considerable fluctuation occurred in the relative value of the metals, fluctuations which are far in excess of those needed in order to give motion to the metals themselves, and stimulate a trade in them. The margin necessary for such a stimulus is very small. Mr. Tooke, whose authority on this subject is not only of the highest, but is indisputable, states

² According to Ruding, the average annual coinage of gold and silver from the accession of Anne to the death of George IV. (128 years) was £1,050,645 of the former, £90,457 of the latter metal.

that in 1826, when a project, similar to that which I shall comment on presently, was being ventilated, as a matter of experience, a fall of one penny an ounce in the value of silver, equivalent to an advantage of $1\frac{1}{2}$ per cent. to a debtor, would lead to the payment of all debts in silver, and an extinction of the gold circulation, or the establishment of a premium on gold and gold payments. The same author also alleges that the restricted statement as to the concurrent circulation of silver and gold in France at a fixed ratio (of $15\frac{1}{2}$ to 1) is more of an apparent than a real fact, that silver was the only actual standard there, and that gold constantly fetched a premium varying from one-tenth to 1 per cent. He adds, further, that remittances in silver as compared with gold, on the hypothesis that the former mode of settlement is under the circumstances to be preferred, can always be effected, and are effected at a sacrifice of one-half to one-quarter per cent. These facts and figures, taken from indisputable experience are, as I shall show, of the highest significance and conclusiveness.

There never was, and there never will be, except under a distinct understanding, which I shall presently explain, a free mintage of gold and silver in any country whatever. Let us see what a free mintage must mean. It must not include seignorage, *agio*, or premium, *i.e.*, the Mint must deliver to the person who brings standard gold or silver to an establishment for minting exactly the same weight of coined money without delay. Now, in this country, whose gold currency circulates freely all over Europe, because its currency value is almost exactly the same as its bullion value, a slight seignorage, too trivial I admit, to disturb the operation, but significant enough in large transactions, is charged. The Bank of England, really the only person who coins at the Mint, buys gold under the Act of 1844, at £3 17s. 9d. and issues sovereigns at £3 17s. 10½d. an ounce. The percentage is small, little over $1\frac{1}{2}$ per mille, or, to be exact, 1s. 6d. per pound on the coinage of gold. But on an issue of half a million sovereigns, containing nearly 9,760 lbs. troy of gold, the difference is £732. I do not know whether this seignorage tempts the Bank to coin gold alone, for no one has ever heard, except as a whim, of any private person approaching the Mint with bullion, or

whether, as I suspect, deposits of bullion made by the Bank at the Mint are treated in the weekly issues as still in the Bank cellar, and therefore are available for issues of notes. I have asked the question of Bank directors, and they make a mystery of the subject. The Bank of England, like any other mercantile concern, has its secrets. I believe that the secrets are after all transparent, and that they can be revealed by the knowledge of the prices of Bank Stock and the rates of discount.

A private individual has no such advantage. He is not possessed of the Bank of England privilege of buying at one price and selling at another. If he chooses to take gold to the Mint, the Mint will, I presume, appropriate the difference. But it will do more. He must wait till his bullion is coined. How long that will be I cannot guess. But the proceedings of a government office are measured, not to say slow. It is fortunate if they are marked with intelligence and even with integrity. That the Mint issues nothing but genuine coin I can readily believe. If it committed the crimes of the ordnance department, it would speedily find out how differently playing with the lives of soldiers and playing with the interests of money-dealers are criticized. But I think that it would not prefer the demands of the individual to those of a department of the State which the mechanism of the Bank of England assuredly is, in relation to the currency, and I may add, is most wisely considered to be. Let us put the delay at six months. During this period, the applicant's bullion would be dead capital, yielding no profit, and not even any interest. Now bullion dealers are not absolute fools, and I do not suppose that any of them, if the question were put to them in a practical shape, would admit that there ever was, or could be, a free coinage.

Nor has there ever been an unlimited coinage. The State always has controlled the mint, and always must do so. The Federal Government of the American Union in an evil hour, and in reference to those detestable private interests which have always masqueraded in the Union as forms of the public good, passed the Bland Silver Bill, and committed itself to the yearly mintage of a large quantity of silver. It does not, of course, buy bullion at the mint, but at the market price, and is therefore not

committed to free coinage in any sort or shape. In every community, most of all in France, and subsequently in the Latin Union, long before the modern trouble came, the principle of the Government's policy and of the Latin Convention was the limitation, the restraint of coining. I well remember the indignation with which the French peasant, who had been taught, as I heard, that the Pope was lying on straw in the dungeon of the Vatican, while devout divines, advocates of the temporal power, were selling the relics of his uncomfortable couch to those peasants, at last exploded the pious fiction, when they found that Pio Nono had been issuing more silver than the Convention of the Latin Union allowed him, and had even minted large coins of an alloy which was inferior in purity to the conventional standard. You know, perhaps, that men of high religious pretensions are sometimes apt to take advantage of their reputation, and to perpetrate what in more secular individuals would be called frauds, not to say swindles. Now I am entirely convinced that under no circumstances could the State allow individuals the right of free coinage in any form whatsoever. Whether, after experience, it would be possible for a convention to agree on, and enforce, an engagement between states is a question to which I shall advert presently.

It is time, however, that I should lay down certain principles in connection with the regulation of currencies by the State, in order that I may be able to deal in a general way with the topic which I have connected with this lecture, a topic which has excited recently a good deal of attention. I will throw what I have to say at this stage into the form of a series of propositions.

1. It is the province and the duty of the State to elect which of the precious metals it pleases to take as a legal tender for satisfying obligations or contracts. If it enters into obligations or contracts itself it must abide by its choice until those obligations are satisfied.

2. Subject to its maintaining its own standard in full weight and purity, it can limit its obligations and those of its subjects or citizens to one coin only, as well as to one metal, and may make all other coins in the same metal or of other metals, tokens only, provided it guarantees that such subsidiary coins shall be capable of exchange at their nominal value.

3. The value of each of the precious metals depends remotely on the cost of production and acquisition, immediately on the use which civilized communities make of them as legal tender.

4. The State, under the foregoing conditions, can, within its own jurisdiction, confer an arbitrary value at its discretion on a subsidiary currency, whether it be a token currency or paper money. But if it makes such a token currency or paper money (the issues of them being uncontrolled or indefinite) a legal tender, the undervalued currency will inevitably disappear, for it cannot be the interest of any one to liquidate obligations in a currency which is more costly to purchase, if the State gives him a discretion of discharging them in an easier and cheaper medium.

5. It is theoretically possible to establish a convention between civilized communities, under which an artificial value may be given to a subsidiary or token currency, which shall circulate at conventional rates between the consenting parties to such an agreement. But the issues of such a supplementary currency must not only be regulated in quantity by a distinct understanding, and the machinery must be provided, by which any state which violates the conditions of the convention shall be chastised or coerced. In other words, the sovereign rights of states must be suspended, in so far as the necessary police of such a convention may be found requisite. The restraint must include (a) the amount of the issue, and (b) the fineness of the standard.

6. It is possible under these circumstances to give a value to coin which is totally different from that which the bullion from which it is manufactured possesses. But this arbitrary value is an act of government, and will exist, even under the most stringent conditions, only as long as the convention is in force. Nothing but the power of government can give such an artificial value, and nothing but the unanimous co-operation of governments can maintain or secure such an artificial value.

7. The excessive over-valuation of any metal used as currency may be met by the practice of private coining. It is not known whether the present over-valuation of token silver in the United Kingdom has not led to this result, though as yet the probabilities are against it.

8. The difficulties of the situation are enhanced or increased,

if the over-valued metal is subject to considerable fluctuations, *e.g.*, silver in relation to gold. For if the ratio should happen to be pitched too low, there is risk, if not certainty, that the under-valued metal may disappear, and if it be pitched too high, the whole machinery of the convention will eventuate in a mere waste of strength, for it may be concluded that though the convention would prohibit an excess of issue in an over-valued currency, it would hardly constrain a proportionate issue of an under-valued currency.

These are, I think, the general principles which would regulate the issues of metallic currencies, and those which must be adopted and enforced in an international bimetallic system. *Prima facie* it is as absurd and irrational for a government to determine what shall be the relative value of gold and silver as it would be to do so in the case of iron and copper, barley and wheat, cotton and wool. It needs that a very strong case indeed should be made out in favour of a government assigning an arbitrary value to any product of human industry and of human demand, even if the product is one of its own manufacture. The bimetallics demand that government should so act, and I conclude not only that they must prove the necessity of the situation fully, but that they must explain what are to be the means by which the stipulations of the international convention shall be enforced. For you must expect, even in so vital and delicate an instrument as currency is, that attempts will be made to prove that private interests are public benefits, and that all the force of government, and in this case, of all civilized governments, must be invoked, in order to obviate what may, after all, turn out to be nothing worse than a trade difficulty affecting a very limited class of persons, or even in the case of some people, what Adam Smith calls the passionate confidence of interested falsehood. Attempts to tamper with the currency were made in 1696 and in 1816, in both cases plausibly. And in just the same way the bimetallic theory was launched in 1825, under circumstances which were similar to those which prevail now, though the phenomena were not exhibited on so gigantic a scale.

The history of the modern movement is as follows. Up to nearly forty years ago, the production of gold and silver appears

to have been so evenly proportioned that no very serious variation arose in the traditional ratio which had been established among them. It is absurd and false to say that no variation arose, but it was easy, within the comparatively narrow limits of the fluctuation for the governments of countries which used—I must say, more nominally than really—a double currency, to check the depreciation of either by limiting the issues of their respective mints, the operation affecting, of course, the circulation of that country only which adopted such limitations.

The United Kingdom was the only civilized community which had adopted a gold standard. It was said in the eighteenth century that this change was primarily brought about by the trade of the East India Company, and that this was owing to the fact that gold was under-valued in Hindoostan. It became, therefore, a profitable trade to export silver to the East, and import gold. I have pointed out how the mints of the Georgian era lent themselves to this tendency. But silver and gold coin were, for a long time, equally legal tenders, gold at £3 17s. 10d. the oz., silver at 5s. 2d., when the two were supposed to be *in equilibrio*, i.e., at a small fraction over 15 to 1.¹ In 1774, when the Government was about to recoin worn and light money at the public cost, a restraint was put on the legal tender of silver coin by tale, to a maximum of £25, and after the resumption of cash payments, when silver money was made a mere token, the limit was permanently put at 40s.

Now shortly after this resumption, the Spanish colonies of Mexico, Chili, Peru, and some other Equatorial settlements in America, revolted against the authority of Spain, and after a short struggle achieved their independence. Great hopes were entertained that a new and most important field of British trade would be opened to the United Kingdom. It was on this occasion that Canning uttered his celebrated vaunt, that he had called in the New World, to redress the balance of the Old. Canning had

¹ According to Ruding, "Annals of the Mint," from Henry I. to Edward I., the ratio was 1 to 9. From Edward III. to Mary Tudor, between 1 to 12 and 1 to 11. During the seventeenth century, from 1 to 12½ to 1 to 13. In the eighteenth century, 1 to 15²⁸⁵⁹/₁₃₆₄₀; the rise from the seventeenth century being 39²³/₁₀₇ per cent.

a hearty, and entirely honest hatred of the Holy Alliance, an arrangement entered into between certain European sovereigns, in which, under the hypocritical pretence of carrying out the principles of the New Testament, they resolved to crush out all political liberty in their several dominions. The last thing, I assure you, which they thought of was the New Testament, even the preface to it, though they might have inscribed their policy on the blank leaf for all I know. But Canning's vaunt was premature. The Spanish Government had effectually destroyed for two generations the possibility of an orderly system, and the history of the Central and South American republics was marked only by domestic revolutions. But Englishmen at the time were nearly as mad after the new trade as they had been more than a century before, when the South Sea Scheme attracted the attention, and enticed the co-operation of the shrewdest. The mercantile classes ventured much and lost much. The bankers joined in the race, and lost even more.

Now these South and Central American republics were silver currency countries. The British merchant who had overestimated the trade, and therefore suffered from trade losses, had to negotiate the metal in which he was paid in a gold currency market, and very speedily depressed the price of that which he took as currency, and had to exchange. There was an instant call for a bimetallic standard, and arguments recently put forward were insisted on with all that fervency with which trades demand that the public should save them not only from loss, but from the contingency of loss, and even of trouble. So loud was the demand that the Chancellor of the Exchequer promised legislation, not, probably, with any serious intention of satisfying his pledge, but with that of conciliating hostility. They who are familiar with the attitude and action of governments are perfectly prepared for promises of legislation, and scarce ever feel surprise when these promises remain unfulfilled, generally under the plea that other public business is too pressing to be postponed. •

The peculiarity in the situation of 1825 was that it was accompanied by a formidable collapse of banking credit. Now you will find whenever persons are put to straits, that they will always discover that the cause of the trouble is not due to their own

miscalculations, mismanagement, or recklessness, but to some cause to which they have not contributed in any degree whatever, and is the result of some universal law, or some occult and sinister influence. I find, for example, that at the present time, men otherwise sensible and rational, are prepared to explain all the phenomena of low prices, such as have prevailed for some years past, to the appreciation as they call it, of gold only. Now I have stated before now that there are three causes, which in a healthy state of things diminish prices. They are cheapening of the cost of production, cheapening of the cost of freight, and increased scarcity of the precious metals; but that, while the first two causes are stimulated to the utmost by the interests of those who are engaged in trade, that of the latter was retarded to the utmost by every motive which can influence a vendor or purchaser. When the precious metals are presumably scarce, there is every motive to economise their use, or as economists say, to increase the efficiency of the currency; when they are inconveniently abundant, every effort is made to get rid of them. It is very possible that during the years in which new gold was being poured abundantly into Europe, prices were heightened. But it would be a very hasty conclusion to allege, as many people did, and do still, that this was due to the new plenty which was created. It may have been entirely the result of the fact that demand was ahead of supply, that a new industry was created on a gigantic scale, which pinched on existing stocks of goods and existing facilities of continuous supply, and it is quite certain that, however much people may welcome high prices of everything, they are by no means willing to see money depreciated, and they will strive against it, with no little energy and acuteness.

You will see that I stated that the three causes to which I have referred produce their effect in a healthy state of things. But cost of production and cost of freight, whether they be slow or rapid in their diminution, always postulate the equilibrium or the progressive increase of supply. The cost of production is economised in the hope of a wider market, and so is the cost of freight. Blight or narrow the market, and you effectually check economies, or at least discourage them, except in so far as existing industrial agents strive to postpone loss. But it is certain that

the result of such a phenomenon is to lower price. Now it cannot be doubted that one, and that a most important branch of British industry, has suffered from a very severe depression of profits. I refer, of course, to agriculture. Nor is there the least doubt as to the cause of this depression. It has been the payment of excessive rent under a precarious tenure, and this cause has been entirely sufficient for all the phenomena. I find that, according to an exceedingly intelligent paper, read at the Farmers' Club recently, that on the whole, excluding machinery and cattle labour, the labour bill of the farmer on arable land is less than 20s. an acre, and on pasture about 9s., the wages of the farm-hand having fallen to what they were in 1860. With this labour the British farmer produces more than twice as much grain as the American farmer does 5,000 miles or more off, who has to pay relatively a far higher rate for labour, and must clear the cost of freight, from 9s. to 11s. a quarter, before he can touch a cent of profit. I must consent to surrender all my faculties before I allow that foreign competition has depressed the British farmer. He has paid too much for the land he uses, he has been made to pay rent on his own outlay, and he has insensibly, but assuredly, lost his capital in the one certain appreciation, the appreciation of rent.

I do not on this occasion pursue this aspect of the subject further. But it will be plain to every one, whatever may be the cause, the effect of stinting or extinguishing the demand of a large number of consumers of home manufactures must have a very damaging effect on prices. Their expenditure may have been in old times ill-advised, abnormal, profuse. In general, however, there is no great harm done in the curtailment of needless, unbecoming, and mischievous luxuries. But the stint in the consumption of staple products, of clothing, and decent comforts, is another matter. And be it remembered this not only affects the farmer, but all who live on land, and most certainly those who used to supply him. And when you have these necessary and obvious causes before you, it is mere poltroonery to ascribe them to an appreciation of gold, and sheer folly to imagine that any remedy whatever can be found in the adoption of bimetalism. But I have met people, who, in a desperate resolve to find an

explanation of the facts in anything but their own shortsightedness and folly, will believe that a bimetallic standard will bring back old prices and old rents. As well expect that the abandonment of Newton's astronomy and the adoption anew of Ptolemy's will produce the same highly gratifying results. Not a scintilla of evidence is adduced in support of this hypothesis.

When the gold products of Australia and California were thrown on the European market, and a great stimulus owing to the demands of the mining population was given to manufacture and trade, great alarm was expressed at the inevitable consequences of depreciation. Prices, I allow, rose, and for reasons to which, for all I can find, the addition to the gold currency contributed little or nothing; for, on the whole, it cost no less to produce and acquire gold than it did before. But M. Chevalier gave utterance to an alarm in a work which he wrote on the subject, a work on which my friend, Mr. Cobden, lavished the superfluous labour of translation. The Dutch, a shrewd people, were actually so far carried away by the panic as to demonetise gold. The French and those members of the Latin Union which could follow their example, began to coin gold in increasing quantities, wisely, as I do not doubt, because, at the old rate of $15\frac{1}{2}$, it was the cheaper metal to manipulate at the Mint. During the reign of Louis Philippe from 1830 to 1848, the French Mint issued near 216 million francs in gold, and nearly 1,737 million francs in silver, according to M. Roswag. But from the commencement of the Second Empire in November 1852 to December 31, 1863, a little more than eleven years, near 4,523 millions of gold were coined, and only 199 millions of silver, according to the same authority. It is difficult to doubt that, for all which may be said about free mintage in France, and the invariable ratio of $15\frac{1}{2}$ to 1, the Government put into circulation that form of currency which was cheapest to get in the raw form of bullion. The difference may not have been much, but it was sufficient to determine the choice. So anxious was the Government to supersede silver for gold, perhaps with some convenience to the public, that they issued spangles called five-franc gold pieces, which, by the way, were very easily lost.

After the Franco-German war, Germany resolved to adopt a

gold standard. It had a mass of rubbish to get rid of which had been in circulation for more than a century. The means for the purchase was partly obtained from the indemnity paid by France, partly from the sale of silver which it resolved on superseding. In a short time the price of silver began to fall. The fall was aggravated by the suspension of silver minting in the Latin Union. Soon afterwards Italy retired her paper money and established a gold standard. The same process was adopted in Scandinavia and Denmark. As a consequence, the rest of the Latin Union was constrained to virtually accept a gold standard, and gold may be actually said to be standard throughout Europe, except in Austria and Russia, where a forced paper currency is in circulation. At present silver, as estimated in gold, has fallen from 5s. 6d. an ounce to 3s. 6d. The fall is entirely due to the cessation of silver minting and the abandonment of a silver standard, according to the law which I laid down in an earlier part of this lecture, that the dominant factor in any one of the precious metals which determines its value is its use as currency. Had European communities abandoned the mintage of gold, and had held only to silver, gold, whether supplied plentifully or scantily, would have fallen to the ratio in which it stood in England up to the reign of Edward I. Even now, if Austria and Russia were to retire their paper, and issue metallic florins and roubles instead of it, there would be an immediate rise in the gold price of silver; and if, furthermore, the vast Chinese Empire were to establish a silver currency for the whole population, it is more than probable that the old ratio would be nearly, if not quite, restored.

There is, then, undoubtedly, as measured by the wants of European communities, or as interpreted by their governments, an excess of silver capable of being employed as currency in the world. But the curious thing is that in silver-currency countries prices have not risen. The rupee of the Indian Government used, on an average, to be worth 2s. on the English Exchange; is now worth little more than two-thirds that sum, or about 1s. 4d. But in the purchase of commodities and labour in India, the rupee goes just as far as it formerly did. We have been told so on the highest authority. Of course there is one explanation of this. The Indian Mint does not allow its issues

to exceed the ascertained wants of its Indian subjects. The issues of the Mint are regulated, not free. There is a difference of nearly 30 per cent. between the Mint and the bullion price of silver, and that difference represents or measures the power of the Government to give an artificial value to a manufactured article, the use of which is requisite to the business of life.

The recent bimetallic movement began in France—that country of logical inferences from imperfect and erroneous premises. Its earliest advocates were Cornuschi and Walowski, and years ago I used to receive numerous pamphlets and even larger schemes from these writers. It has more recently formed a headquarters in England, and its advocates have been influential enough to procure a Royal Commission. This commission has recently issued a report, in which the allegations of the several partisans are very carefully and very fairly marshalled, and has expressed an opinion that if the wishes of the bimetallic advocates could be met, it would be very desirable to meet them. Now, this is not the place in which to analyze a report of this magnitude. I can only allow myself to say thus much: the advocates of the change are confident and aggressive; the defence of the present system does not appear to me thorough and hearty. But the latter are in possession; and were the acceptance of the theory brought within the range of practical politics, I think that a great deal more emphasis and cogency could be given to the defence. For my own part, having read the report, I think I may confidently say that every argument alleged by the bimetallicists has been alleged and dealt with more than sixty years ago, when a similar project was put forward.

I do not mean an invidious statement when I say that the principal and the most vigorous advocates of the change are eminent merchants of high character and undoubted worth, but whose principal business is with silver-currency countries. Now, these gentlemen have, in addition to a fluctuating standard in which they buy, the necessity of performing a second operation in the process of their trade, for they have to trade on the standard of the country—now treated as bullion—as well as on the goods in which they deal. If I buy in a gold standard, the profit of my business lies in the goods which I purchase only; if I buy in a silver standard, my risks extend over the standard and the goods.

It is inconvenient, but as the trade goes on and even increases, it would appear that the additional risk is calculable. Now, to some extent this case is stated, though with not a little irrelevance, for it is difficult to see how the price of Indian wheat is lowered in England by the silver currency of that currency, if the grain is bought with goods produced under a gold currency *régime*, or in respect to which the Indian Government has given a fictitious Mint value. The Mint authorities in Calcutta must be very much asleep, if they have given coined rupees for uncoined bullion. The latter they, of course, buy at its gold price.

Bimetallism would become practicable if every civilized government would agree to give the same artificial value to their silver coins, and all would guarantee an international currency. But they must make a fixed ratio, and they must enter into an international agreement to regulate their issues. They must next devise penalties and the means of enforcing these penalties on those who violate the convention, by the agency of a powerful and respected international police. If they do not, governments will do as they always have done, when circumstances almost established a ratio, coin in the cheapest metal. I confess I cannot tell how the convention is to agree, and how the police is to be established.

Now, let us suppose this done, and the silver coins by the act of government, or, rather, of all the governments in unison, dragged up to gold prices. What would be the result? You would have two currencies of equal Mint value circulating instead of one. If I am to receive a debt, my debtor can pay it in silver coins or in silver currency notes at my pleasure, an! I can do the same with my creditor. But by the very terms of the hypothesis money would be none the more plentiful, none the cheaper, and prices would remain unaffected. There would, it is true, be an exceedingly difficult machine to work—the international convention; and it would be fortunate if suspicion as to irregular practices did not ripen into conviction, and a very violent strain be put on the international agreement. One thing might, perhaps, be gained—a certain class of traders would be relieved of some trouble and a little risk. But to this I answer that private interests are not necessarily the public good.

VIII.

PEASANT AGRICULTURE AND MANUFACTURE.

The dangers of large farms—Arthur Young on small holdings—Servile tenure compared with knight service—Early date of leasehold system—The stock and land lease—The enclosures of the sixteenth century—Repeated in the eighteenth century—Young's cure for unimproving tenants—Emigration of the skilled labourer—Mistaken policy of the Oxford colleges—Economic influence of allotments.

THERE is no economic subject on which opinion has been more thoroughly contrasted than on that of peasant agriculture. There has been less variety of views with regard to peasant manufacture, for the sentiment has generally been one of regret at the inevitable extinction of the small handicraftsmen by the capitalist manufacturer, armed as the latter is with indefinite power and multiplicative machinery. In fact, by no means such large issues are involved in the question of manufacture. It may be doubted whether machinery can ever supersede the use of the human hand, except in those particulars where automatic uniformity is required. Here indeed there is only one limit to supply, *i.e.* demand. But the case is very different with agricultural industries. You may supplement human labour to a great extent by cultivating the soil, by gathering, cleansing, and storing its products; but infinitely the greatest work, and the most significant, is the application of intelligence, foresight, and

perseverance to the very varied routine of a husbandman's calling. And though no one can tell what is the limit of agricultural production, though nothing has been more childish and ignorant than the chatter about the margin of cultivation, and similarly indefinite and incommensurable contingencies; yet it is true that one cannot at any given time turn out, as a manufacturer can, an unlimited quantity of agricultural products, as one can practically supply of iron, of cotton cloth, of woollen stuffs, and of hosiery.

Nor is the question of production on a large and on a small scale, to be measured by the cost of production only. Cost of production may be a matter of very obscure and difficult analysis. In the case of a manufacturer or an agriculturist on a large scale, whose outgoings are sales, it can be, or ought to be, exhibited on a balance-sheet, containing assets and liabilities with a profit and loss account, and the whole process may be given with arithmetical precision. The producer buys plant and stock, builds or hires the necessary buildings for his calling, hires and pays labour, collects produce, and, if he be shrewd and successful, waits for the market. The cost of production can be given with absolute accuracy. The regular element of risk in the calling is whether the produce, apart from other risks, plentifully strewed over the process, will command the expected price. Yet there is no calling, I am persuaded, under the sun in which there are more risks than in that of a tenant farmer on a large scale, who produces almost entirely in expectation of the market; and no man, who in contracts for the use of the land which he cultivates, ought to have a wider margin, or, if you please, a greater contingency of profit, in order to cover the risks of his enterprise. He needs on his own account so to distribute his husbandry as to make, as far as possible, the gains of one crop counterbalance what I may call the weather losses of the other. If the seasons are propitious on the whole, and he is not, therefore, as he rarely would be in these days, overwhelmed with a cheapness which brings the prices of his produce perilously near the cost of production—a risk quite as recurrent under protection—he has the risk of disease among his stock and blight on his corn. I cannot better illustrate the risks of agriculture than by stating that in which every practical farmer would agree with me, that no one but a lunatic would invest the whole of his

substance in the contingency of one crop, *e.g.*, of hop growing. Nor need I at this particular point dwell on the necessity which there is of making contracts for the use of land liberal, equitable, and elastic, unless one wishes, as in recent years, to see ruin overtake both interests, that of the landowner and that of the farmer.

But when you come to production on a small scale you cannot exhibit the same balance-sheet. What is the cost of production is a question which you may ask without getting an answer. In the case which I have just now described, the capital invested in plant, stock, buildings, rent and labour, may, hypothetically at least, be conceived of as invested in some other calling, some other premises, some other farm. Though economists have talked absurdly, that is, metaphysically, about capitals invested in business as essentially mobile, when they could not be realized and changed from their present object without serious loss, and probably ruin, there has been a time when the individual possessor could have exercised a fairly free discretion in the investment of his property. I will admit that the discretion is not absolute. Men cannot change from calling to calling with facility. An unsuccessful tradesman cannot turn himself into a successful physician, unless he practices homœopathy, where I have heard that such a mutation has been, advantageously for the individual, effected, for the law steps in to prevent it. Men in carrying on an occupation are very much tied by their early training and its associations. Economists have written as unwisely about changes of industry as they have about wage funds, with an ignorance which is almost sublime as to the invariable and manifest facts of human life. I say this that I may not be misunderstood. There is a freedom in production on a large scale, but the freedom is limited by conditions in the first instance, and soon becomes curtailed when the choice is made.

But in the case of a producer on a small scale the cost of production may be almost intangible and incapable of estimate. This has been noted long since in what economists call *by-industries*, that is callings which do not constitute the regular labour and livelihood of those who practice them. Generally it must be allowed this *by-industry*, when its produce comes to be sold, is very poorly remunerated. But what if it be used in the family?

PEASANT AGRICULTURE AND MANUFACTURING.

It is possible to conceive that the whole clothing of a household may be supplied by industry carried on in the spare hours of those who are generally occupied in a different calling. Such a result was exceedingly common in those old days when the spinning wheel was in every home, and the hand loom in many. It is said that there are many districts in the civilized world in which all the household linen in a new home, all the bedding, and the greater part of the clothing, if not the whole, which the wife possesses are the work of her own hands. Or what if the workman be also an occupier of land, which he cultivates in his spare hours, the produce of which to a very considerable extent maintains his family? In both these cases the cost of production cannot be estimated, because if the labour had not been employed as I have described, it would have been lost, let alone the chance that the enforced idleness would have involved waste and expense. I have heard some rigid economists talk of agricultural allotments and spade husbandry as a return to barbarism, a deliberate contempt for the progress of science. But the best economic condition is not that in which the greatest amount of produce is obtained at the cheapest rate, the greatest amount of capitalists pick up the greatest amount of profits; but one in which the greatest amount of workmen can live in the greatest possible comfort and security. I do not profess to admire the condition of the Scottish crofters; but I am certain that it is better for the country that they should live in content and hope, than that thousands of them should be cleared off, in order to provide a desert for a Yankee speculator to shoot over, and an aggregate rent for a Scotch tradesman to collect. He must be a very sturdy advocate of *laissez faire* who affirms that it is better to create a solitude for twenty square miles than have it peopled by human beings. And yet so amazing is the insolence of some landowners, that I have had to listen in my time to an angry, perhaps an uneasy, defence of Scotch deer forests.

To Arthur Young, whose notes on agriculture in the latter part of the eighteenth century are of such paramount importance to the students of agricultural history, small holdings were an abomination. When they were in the occupancy of labourers they hindered enclosures, and ensured the continuance of the villainous three-

course system, viz., two white crops and a fallow. In the hands of the small farmers they were only a little less obnoxious. They were centres of stupidity, ignorance, and prejudice, and Young can devise no better means of improving them than that of adding 50 per cent. to the rent of the holding. Not that Young wished to see the creation of enormous farms, still less occupancies with insufficient capital. His typical farmer, Bakewell of Dishley, the reafounder of pedigree stock in cattle and sheep, had only 440 acres of land in his holding, of which 110 only were arable. He performed, says Young, "great and expensive works on the property of another," though, Young also tells us that "he was fortunate in a generous and considerate landlord," a phenomena which was not so rare a century ago as it now is. But for unimproving tenants, as he considers most small farmers to be, he has no mercy. "A bad tenant," he says, "cannot have his rent raised too high." In Young's time this was the only obvious means of getting rid of such people, and it was not exceedingly effectual then, for farmers were not much more disposed to inigrate in England than they are in Ireland now. The economist is apt to ignore association and sentiment; but they who have to interpret facts are constrained to take them into account. Besides the legislature has established a price for them in the Committee rooms.

In more recent times the tide of opinion has turned the other way. It must be forty years ago since my late friend, Mr. Thornton, published his plea for peasant proprietorship, a work most of the details of which were derived from the author's experiences in the Channel Islands. It must be nearly as long since Mr. Laing published his book on the Norwegian land system, a far better illustration of peasant holdings than the market gardens of Guernsey and Jersey. Then the passionate devotion of the French peasant to his holding, and the very varied character of his industry, were commented on, in his characteristic way, by Michelet; and Mr. Mill, though with some cautions and alarms, derived from the experiences he had or had heard of the allotment system under the old Poor Law, and the conacre holdings in Ireland, under which labourers were paid in strips of potato ground, generally endorsed the sentiment, and saw, in it, duly guarded, a remedy against the risks of over-population. The same has been

said of the Belgian holdings, in which industry is traditional, agriculture on the whole excellent, and the peasantry fairly secured against extortion. My own observations of continental agriculture, especially in Southern Germany, confirm most of these conclusions. But, on the other hand, Lady Verney has lately drawn a deplorable picture of the peasant holdings in Auvergne, and of the sordid struggle for existence in that region. But France, especially rural France, is not the country in which to trust to first impressions about the peasantry. I drew hasty, and, as I found afterwards, erroneous conclusions about the Breton peasantry, conclusions which further experience disabused me of. But there is no part of the economic question in which it is more necessary to have recourse to agricultural history than it is on agricultural tenancies, and I must, in order to substantiate the conclusions which I shall have to draw further on in this lecture, give you a sketch of agricultural tenancies from remote to recent times.

The earliest evidence which we have of a conclusive and general character as to the division of land and its occupancy dates from the middle of Henry III.'s reign, or a little later, *i.e.*, from about 1240. At this time it became the custom, the practice being uniform from Northumberland to Cornwall, for rentals to be drawn up, in which the number of holdings on each manor, with the extent of each, was carefully defined in carucates, virgates, and sometimes in acres, the subdivisions in the northern counties being generally bovates. The plots of an acre or more are, I am pretty sure, pieces held in severalty, the ordinary holding being so many strips in a common-field. The system of common-fields was universal, and no doubt ancient. It may have been an outcome of Roman civilization or peasant life, and possibly the common-fields, which I remember seeing in my youth, in Warwickshire, may have been the form in which Sulla's veterans were planted on the soil dangerously for the fortunes of the Roman Republic in the days of Catiline's rebellion, and even to those of Virgil, when the Corycian old man, rescued from piracy to all appearance, was quartered, an involuntary guest, on the rural holdings of the Mantuan peasants. It is not at all improbable that the serfs of the English manor were in the first place the subject British, and that their numbers were recruited from those

Saxon offenders who could not pay their wite, and so fell into bondage.

There were always three classes of persons to be found in a manor, and sometimes four. They were the lord, who generally had about one half of the area in his own hands, including closes in severalty, who shared with the tenants in the use of the common, and possessed the woods. Then there were the freeholders, or socage tenants, who held of the lord at a fixed rent, generally in money, but not infrequently in produce; and the serfs, or villains, some of whom held under their peculiar tenure estates as large as the freeholders, sometimes merely a cottage and curtilage. In the law books these serfs had no right as against the lord; in historical agriculture they had as secure a holding as the freeholders possessed as long as they satisfied its conditions, having, as events proved, a more secured holding, as the evidence of their title was found in the Court Roll. Their due was generally labour, but it was commutable for a money payment of a very moderate amount, and on the whole, as I have proved by hundreds of instances, their permanent obligations were not more onerous than those of the freeholder. Those were the regular, I may say the invariable, elements of the manor. But there were almost as constantly tenants for a term of years and other franchises, and there were not infrequently tenants for terms at a rent. I have found tenants on a temporary holding in the very earliest accounts, for it might well happen, especially when an estate was remote, that it was more prudent for the owner to let it than to be at the trouble of cultivating it himself.

On the whole, except for the dignified character of his holding, I am disposed to think that the lord, supposing, for the sake of illustration, he held of the king, as all ultimately did, was in no particular better off, and in some was worse off, than the serf. He had to serve in war, at his own expense, for a longer time than the serf had to labour on the fields for him. This liability, grievous enough when the field of operations was the Welsh or the Scottish marches, was all but intolerable when the service was on the king's continental possessions. An attempt was made to commute it in the middle of the twelfth century, and every one knows the quarrel of Edward I. and his two great earls when he

wished to revive the duty in their case. During the nonage of his heir his estate was wasted, his son and daughters might be disposed of in marriage, and could escape from this obligation only by a smart fine, and his heirs succeeded only after a payment which was very similar to the fine on entry exacted from the serf. The tenure was no doubt an exalted one, but its incidents to my mind were as onerous as those of the villain. In one particular he was worse off than the serf. The serf could not maintain an action against his lord, nor could the lord against the king. But the courts of law interposed, we are told, to protect the serf against atrocious injuries at the hand of his lord. The lord's only remedy against the king was insurrection, and I must allow that he used this pretty freely. It is a most remarkable fact in English economic history that, while in France the position of the roturier, and in Teutonic countries of the baner or bondor, became progressively worse, it became in the end the object of those who held land under the honoured form of knight service, to level their estates down to that of the socages, and to emancipate themselves at once from their dignity and their liabilities, by occupying what is historically the far humbler position of socage tenants.

I have given this brief sketch of the occupants or owners in an ancient manor, because it seems to me that we must discover in the liabilities of the lord the motive for protecting the rights of the humbler tenants. The king and the lord were equally interested in making or conciliating a party among the less dignified classes in society, the former as a counterpoise to the lords, the latter as a protection against arbitrary acts by the king. And on the whole the latter had, I do not doubt, the advantage. The fidelity of the retainers to their lords during the long war of the royal succession is an illustration of what I mean, and the contempt and disgust at the conduct of Banister, the servant of Buckingham who betrayed his master to Richard III. towards the conclusion of this savage strife, is a proof how completely this fidelity was expected, and how generally the breach of it was condemned.

I have stated that tenancies for a term existed, these being the exemplars of the modern tenant farmer on a lease. The term

were of different duration. I have found them as short as five and as long as thirty years. But they were comparatively rare. In early times, then, the system of double ownership was universal and familiar. I know from these tenancies on lease that the liabilities of a socager, or a serf were quite up to those which were put on a tenant for a term, with this additional disadvantage, that the permanent occupiers had to do all their own improvements, while the landlord was expected to do all this and more for his temporary tenant. The position, then, of a landlord to a tenant on a term was not so advantageous as that of a person who cultivated his own estate with his own capital and to his own profit, and hence landlord cultivation was so universal that the exceptions to it are rare, and can be explained by very intelligible reasons. From the king to the serf all cultivated land. Even artisans and citizens were agriculturists, and the England of the Middle Ages was a country in which half the soil was in the hands of peasant occupiers, or agriculturists on a small scale.

Now I must at once admit that all records of this industry have perished. I do not suppose that there exists a single account of a socager's husbandry during the whole epoch of the old agriculture. It is possible that such people did not keep accounts, or at best kept them by tallies. If they did keep them there was no motive for preserving them, as there was with the lords, to whom they formed collateral and valuable evidence of title. But though the accounts of the tenants are lost, those of the lords and their bailiffs exist by thousands. I have examined all that I could come across, and from them I have been able to construct an exact description of English agriculture through the Middle Ages. I know very much more of that agriculture, its process, its prospects, and its profits, than I do of the agriculture of England after the Reformation. But it is, as I have said, of the lords alone. I know of only one description of peasant husbandry during the whole of the period, and that is the picture which Latimer gives of his father's homestead at the end of the fifteenth century. But though I suspect the worthy bishop of having a little exaggerated the subsequent fortunes of his father's successor, I am ready to admit that he gives a precise picture of his youthful experiences in the house of a moderate occupation by an

English yeoman. His husbandry, in brief, was that of his superiors in rank.

Besides, the landlord's cultivation was in the open. Beyond his closes of pasture, his own estate, like that of the freeholders and serfs, was in the common fields, as Fitzherbert describes them in his treatise of surveying at the commencement of the sixteenth century, and Langdon displays them in those exact and beautiful surveys in the possession of All Souls and Merton Colleges. His bailiff was a native of the village, a freeholder, or even a tenant in villenage himself. The best and most continuous accounts of the thirteenth and first half of the fourteenth century which I have ever read are those of Cuxham, an Oxfordshire village. But the bailiff's father and son were serfs of the manor, for I find them so described in the rentals; and when the great plague swept the whole family away, its estate, real and personal, passed by escheat to the lord, and is duly recorded. Whatever the lord did by his bailiff the peasant cultivator saw and could do himself, and though the progress of agriculture was checked by the excessive dearness of necessary materials, and the inevitable backwardness of all agriculture in common fields, some improvements were made, and some experiments were tried. There is evidence, for example, of an attempt to improve the breed of sheep, of draining and the marling of land. If the lord undertook this there was no reason why the tenant should not follow his example. Subject to his fixed liabilities, his land was his own, and every improvement which he made on it was free from the risks of his lord's rapacity. Even if an attempt was indirectly made to raise rents by exacting and excessive fines for admittance by descent or purchase from copyholders, the law was at hand to protect the latter by limiting its amount; and Fitzherbert expressly tells us that with the extension of tenancies on terms or at will, the custom of marling lands had died out. And he says significantly, men will not improve if they run a risk of losing the fruit of their improvements. It may therefore be reasonably concluded that peasant husbandry closely imitated landlord husbandry, about which there is overwhelming evidence.

I am therefore, I think, justified in concluding that the landowners of the thirteenth and fourteenth centuries did a great

service to English agriculture by the habit they had of cultivating their estates themselves. It is true that the husbandry of the time was not scientific; but I am sure that in England it was better than it was anywhere else. The landowners had a very solid stake in the country, the stake of stock, which might be easily stolen by a plunderer. But though it might be easy, as I said in a late lecture, to discover acts of violence on the king's highway, property was respected and protected in the parish. The possession of removable property by all classes created a very effective police against marauders; and the picture which Latimer gives of the plenty and security of his father's house is certainly historical. It is all very well to rake up scraps and fragments about mediæval life, of its petty cares, its sordid habits, its poor aspirations. I do not think that England has ever been an Elysium, but I am sure that in the old days of peasant ownership and cultivation there never existed, five or six centuries ago, such abject misery, such sullen apathy, such hopeless penury as may be found in our day, not in the slums of London only, but in country villages.

The old system of landlord cultivation broke down from the effects of the great plague of 1348-9. The rise of wages was very great, the demand for produce, even when the produce was scanty, was low. I have been able to discover and have published the evidence of what profits were made in agriculture before and after that prodigious calamity. Not that the old system was abandoned at once. Some landowners struggled on for fifty or even seventy years. Some, particularly the great monasteries, kept home farms in their own hands, and did so up to the Dissolution, because the system was convenient if not profitable. But of the rest, all or most of them betook themselves to a new system, which I was the first to discover, the land-and-stock lease, under which the tenant held for a term, rented the stock under penalties if it were not intact at the conclusion of the term, the landowner generally insuring the flock from losses beyond a certain percentage. Such a system was more advantageous to the lord than it would be to have let the land without the stock, as I have proved by comparing the rental of the same estate under this system with the rent paid after the system was abandoned. It lasted generally

for about seventy years after its commencement on the estate. It is a curious fact that in these leases the tenant often had several plots or plough-lands for terms, the commencement of which greatly varied. He may have been beginning the term for one parcel, and be nearly at the end of it with another. This seems to prove that the peasant cultivators gradually extended their holdings, and that it was easier to occupy land than to find tenants. The custom of stock-and-land leasing was continued by the monasteries up to the Dissolution, and commonly on very easy terms. Hence, when the king entered on the chattels of the monasteries, not a little of the famous stock was found to be alienated during the continuance of a long lease. During the sixteenth century it was not found possible to raise rents, for the competing farmer from a distance was all but unknown, and it was not popular, perhaps not safe, to offer a higher rent for land than a sitting tenant was willing to pay, or was in the habit of paying. Dislike to what is called in modern times, and in particular localities, a land-grabber, is by no means a feeling of recent growth. I shall hope to show you hereafter upon what conditions it has arisen. But the system of fines on the renewal of leases, with the alternative, was developed during the sixteenth century. We have literary and contemporaneous evidence of the fact, of the discontent it caused, and of the evictions which followed on refusal to pay. Then, perhaps, the landlord could command a somewhat enhanced rent. But I am persuaded that it would have been unsafe to have done this on a large scale, or to an exorbitant amount. Till very recent times the English tenant has not been patient under exactions, and some very ominous events, failures to be sure, but alarming for all that, were found in the Pilgrimage of grace, in Ket's rebellion, and in the insurrection of the northern earls. When Mary Tudor in 1544 procured the repeal of all her father's statutes since the rupture with Rome, she felt herself constrained to allow the alienation of the abbey lands. The nobles of the day, as the Spanish proverb goes, stole the sheep and kept it, but gave God the trotters. I felt convinced years ago that rents up to the end of the sixteenth century could not have been raised, except indirectly; and I found that a theory which I had worked out by facts was confirmed by the evidence of rents actually paid.

The seventeenth century developed the system of rack-renting; To modern notions the rent of arable land was not high, for from the facts which I have collected it is plainly not more than from 4s. 6d. to 5s. an acre. But agriculture made no progress, and the new system was an effectual bar to its progress, as is asserted by nearly every writer on agriculture throughout the century. Tenancies remained small, for the farmers were too poor to increase their holdings. Gregory King allows the farming class no greater saving power than 25s. a year, the lowest among all orders of society, whom he whimsically enough calls the saving classes. For as I must inform you, no notable or general improvement was made in agriculture during the seventeenth century. I do not say that no one introduced the new system from Holland, but no persons did it sufficiently to lighten the mass of agriculturists: The fields remained unenclosed, the old three-course system of two white crops and a fallow continued, and the agriculture of the last Stuart reign did not differ materially either in method or in productiveness, from the agriculture of the Early Plantagenets. It was only when the enclosure, or rather the rational partition, of the common fields was seriously taken in hand, and this was towards the end of Anne's reign, that turnip culture, the sowing of artificial grasses with a white crop, barley, or oats, began, and the four-course system, so characteristic of British agriculture, was fairly set on foot. But it took a long time to extend it. Farmers were slow, prejudiced, and suspicious. They detected the contingency of more stringent rack-rents under the new agriculture, and their experiences did not tend to disabuse them of their fears. By the end of the first quarter of the eighteenth century, though prices were generally low, and remained exceedingly low for many years, rack-rents rose from 4s. 6d. and 5s. to 7s. an acre, and distress, for so the fashion of the age called plenty, prevailed. Now it must be allowed, and should always be stated, that the new agriculture and its success was the work of many untiring, energetic, and enlightened landowners throughout the kingdom. In the thirteenth and fourteenth centuries, and again in the eighteenth, the action of the landowners, due most likely to an enlightened self-interest, but, in the eyes of the economist, none the worse for that, bestowed great and lasting benefits on British

agriculture. Even in these days, when the noble art has fallen on bad times, due to intelligible causes, and to mischievous agencies, the British agriculturist is far beyond any in the world.

Upon the relics of the bad old system, Arthur Young directed his observation and uttered his indignant comments. He was in no sense a critic of historical causes; all his wisdom lay in the interpretation of the existing situation, and in this he was a master. No Englishman has dealt with agriculture, either before or since his time, who has shown more practical knowledge, more untiring zeal, and more zealous devotion. A gentleman by birth and breeding, Young has great tact and great self-respect. His admiration for Mr. Bakewell and Colonel St. Leger, though graduated according to their social rank, is profound and hearty. His political economy is not worth much, for he preferred Stewart to Adam Smith, and believed that the bounty and the Corn Laws were the buttresses of British agriculture, or I must say English, for he did not think Scotland worthy of notice, though it was then enjoying the blessings of the nineteen-years lease, and fastening the plough not to the necks, but to the tails of the horses.

Even if Young had been a better historian and a better economist than he was, his agricultural zeal would have made him abhor the occupier of forty acres in a common field with less than twenty of enclosed land, who was wedded to the old arrangement and the three-course system. Some special knowledge, and a very wide experience of men in all ranks of life and in all callings has made me, I trust, very tolerant of fools, even when I am quite aware that their folly is hereditary or self-induced. But I think if I had observed agriculture with Arthur Young I should have denounced peasant occupancy, even though I might have known the causes of its downfall. But you cannot ruin men and then claim from them the gift of enterprise. I should have seen that these relics of the old system were incompatible with progress, and should have demanded full play for that competition which results in the survival of the fittest. So much for Arthur Young's time. In our own time I should demand the exhibition of the same political cathartics, and though I cannot here illustrate my opinion of men and things by name, I should desire, with

much fervency, the expulsion of the unfittest. The incompetent, if incurable should be cleared off, provided always that they hindered the development of true knowledge and progress, as unimproving and invincibly ignorant tenant farmers do. For this purpose, Young had but one remedy—a penal rise in rents. This, he believed, and he could quote numerous cases on his side of the question, was the cure for sloth and prejudice. And yet it is singular that a writer who saw more clearly in my opinion than any one who has written on agriculture, that adequate security to a tenant's capital is a *sine qua non* with the mass of men who risk their money in a calling that you never can expect more than a few Bakewells, and that these men by an unerring instinct turn their attention to the improvement of stock, in which process they cannot easily be plundered, instead of to the improvement of land in which they can easily be plundered, did not at once detect the origin of bad farming, and concurrently with his penal remedy, insist that the genuine improvement of land, due to the tenant's capital and intelligence are, and should be, his property. Of all the unjust and mischievous rules which pedantic lawyers have foisted into law, the maxim, "*Cujus est solum, ejus est usque ad cœlum*," is the most disastrous. It is the primary cause of the distressful condition of agriculture. It is a serious bar to productiveness in a hundred ways. It is the principal reason why the poor in large towns are huddled into filthy and unwholesome dens. It should be swept away, and the reverse principle established. That whatever value the capital and labour of an occupier has induced on the soil shall be deemed and be his own property, and that no clause or condition in any lease or tenancy at will should be recognized in law, which strives to defeat this rule. If the tenant farmers of the eighteenth century had been like the small freeholders of the fourteenth and fifteenth, whatever agriculture was possible would have been imitated and carried out perfectly by them.

So enamoured is Young of his drastic remedy, that he even welcomes the common and increasing vices of his day, reckless and ruinous gambling at the hazard table, as the means by which tenants paying too little for their holdings could be made to pay adequate rents. He endorsed the villainous maxim of Mandeville, that private vices were public benefits. As time went on, he began to

doubt whether he had not been as the proverb says, "holding a candle to the devil," for Young lived on to 1820, and had experience of the horrible calamities which came upon England, upon all, indeed, but landowners during the great Continental War—the wanton, sordid, selfish work of the heaven-born Pitt. During this period, though it cannot be said that rents did not rise—they went from an average of 10s. an acre to more than 35s.—agricultural skill was diffused rather than progressive, the weaker tenants were squeezed out owing to those unnatural fluctuations in price, which these tenants could neither anticipate nor interpret, and the condition of the agricultural labourer was deplorably degraded. Nor was there any escape from the depression of wages, for emigration was unknown to them, and even transportation, which a vigorous and brave government, resolved on maintaining law and order, freely practised, was not copious enough to relieve population of the unemployed and starving.

Now let us look at what has happened since 1820, the year of Young's death. Within five years the old labour laws were abolished, and with them the emigration of artisans was permitted. A dozen years more and the old Poor Law came to an end, and with it the doctrine that the peasant was to be compensated out of the rates for the loss he had sustained by the enclosure of commons. These enclosures, from the reign of Anne to about thirty-five years ago, amounted in area to nine million acres, and the compensation once given for the loss of interest in this was now taken away. A few years later and free trade in food was accorded. The effect of this was to put an end to the desire of extracting profit and rent from the misery and want of the poor, or at least to check the hope of it, and not less markedly to offer the energetic stimulant of a free market to food-producing countries. Now this led to a great increase in the mercantile marine, for the open market was soon aided by the removal of all restraints on navigation. But as soon as ever countries inhabited by persons of British descent entered into the new market the necessity for hands to undertake agricultural operations was rapidly felt, and emigration on a large scale ensued. Offers under the homestead law of land at nominal prices became known to men who were grudgingly paid ten shillings a week, with the new work

house in prospect at the end of their career. The construction of railways, part of the new freight system, and as yet a force in the future whose significance was ~~it~~ understood even by the acutest minds, drew mainly from rural places the strongest, sturdiest, and most enterprising men to new fields of labour and settlement. There were attractive prospects held out before the agricultural hand, and the best of them, as I foresaw and said a quarter of a century ago, to the vehement indignation of some people here, were leaving and would leave the country. Now, no one but a demented Malthusian would believe and allege that a community was all the better off for losing its best hands. I see that my old acquaintance, Mr. Clare Read, at a recent meeting of the Farmers' Club, complained that the agricultural labourer wants in these days to get the maximum of pay with the minimum of labour, and I was pleased to notice that one, at least, of the farmers present replied that this was human nature, and that no doubt it was as keenly entertained by Mr. Clare Read himself as it was by any workman in his employment. But Mr. Read was in one sense right. Twenty or thirty years ago there was no opportunity for the farm-hand, even in his most sanguine visions, to entertain the hope that wages would follow demand, or that resignation to hopeless hardship was ever to be exchanged for the discontent which discovers an escape from bondage. We economists, when we are in our senses, look on discontent as the basis of most economical virtues and welcome its manifestations.

And now about agriculture. The skill has not gone. Any one who takes up those periodicals which deal principally with agricultural products will see, as before, that the British farmer is the most competent husbandman in the world. A well-tilled farm is to me the most pleasant sight which I can view, and I will not hold myself up to the execration of artists and authors, or their intractable, but sometimes friendly, associates, the professional critics, by comparing the husbandman's craft to the exhibition of pictures, and the choicest products of the paradise of publishers, the historic row. The British farmer supplies pedigree stock to the civilized world. The American manufacturer, who, with all his bounce, looks anxiously at the wages of the immigrant factory hand, and stints him to the utmost of his power, does not care

what he gives for a herd of Jersey cows. I have heard him talk of how he manipulates his workmen, and what he gives for pedigree stock. He is as proud of his parsimony to the former as he is of his profusion for the latter. I shall begin to fear for British agriculture when I see its rivals outstripping it in produce and in quality.

But there is another side of the shield. The skill is present, the capital is gone. The English landowner has followed only too faithfully a part of Young's advice. He has rack-rented his tenant mercilessly, and with rare, and those most honourable, exceptions, has done nothing useful besides. He can very likely ride well to hounds, shoot as successfully as his gamekeepers, waste his substance as the prodigal devoured his, ruin his farmers, plunge on the turf, rely on his stud for an income, and supplement it by being a rook where he used to be a pigeon, qualify himself as a farmer's friend, after behaving as his bitterest enemy, and in rare cases, even talk about bimetallism, and laud his nostrum as the one cure for agricultural depression. But the race of the St. Legers and the Bakewells, with whom Young made acquaintance, is, I regret to say, almost passed away.

Some landowners have no doubt unconsciously encouraged their tenants in recklessness. Some years ago a landowner of my acquaintance in this country, who had an ample fortune from other sources than land, began the process of amalgamating farms on his estate. He told me that his experiments had been so thorough that he did not expect to get more than $1\frac{1}{2}$ per cent. on his outlay. Like the rich man in the parable, he pulled down his barns and built bigger. He supplied his tenants with houses to four-hundred-acre farms, his general rule of size, which would suggest the expenditure of £1,000 a year. The farm buildings, I grant, were excellent, and entirely fitted for their purposes. But the farmhouse was a comfortable mansion. Now in Young's time, when stock was not half the price it now is, and wages much lower, £4 an acre was the minimum for a farm of which one-third was arable and two-thirds pasture. At the present time the minimum should be £10. But on the average times, and after making due allowance for the risks of his calling, a farmer cannot expect to make more

than 10 per cent. on his capital. It may be doubted whether he made so much, for his calling was attractive, and, as we all know, was open to active competition. Now for a man to live in a house which invites an expenditure that is two and a half times more than the tenant can possibly earn by his calling is a very dangerous matter. And when his capital has slowly leaked away, and owing to his unfortunate habit of not keeping a good and full balance sheet, without his knowledge, the danger is increased, and ruin is still more imminent. I am glad to see that farmers are beginning to take stock of their position, at least those who are spokesmen at the Farmers' Club, and to allege that a new departure had to be made, and has been made. But I know well enough how disappointing has been the experience of those who have inherited these fancy farmhouses.

It was not to be wondered at that the worst errors of the old system were faithfully imitated among others, and there were added to them the peculiar irregularities of the locality. The head and fellows of a college are in the strictest sense of the word limited owners. They have in equity less rights and more duties than the owner of a life estate under a strict settlement. They are debarred from waste, and if any one is at the pains of looking after them they can be restrained from appropriating the proceeds of mines and minerals. They are like all limited owners, under the obligation of keeping their tenements in repair, and of effecting these repairs from income only. On this head they ought not to owe a sixpence of borrowed money. But I should be very much surprised if it was certified to me that the interest on their liabilities on this score would not amount to a sensible part of their income, and their outlay to several years' income. It is more than probable that they have amalgamated farms, and find it difficult to get tenants. It is likely that they have listened to perfidious agents, and have rack-rented their tenants till they find it hard to get half the rent which they used to get. It is not difficult to get at the facts, for under the Act of 1877 the Colleges are bound to supply an annual balance sheet of their income and expenditure. But we all know that matters are at a deadlock.* The University Commission put certain obligations on the Colleges in the interest of the University. Those obligations are not satisfied, and, from

all that can be learned, they are not likely to be satisfied. One College has been formally allowed to repudiate its duties, and when the action was sanctioned, we were instructed that the repudiation was likely to be permanent. Meanwhile the apparatus of prize fellowships has been suspended. In plain English, the future has been sacrificed to the present and the past. From what I hear, Cambridge is by no means in so awkward a condition as Oxford. But in that University, as I am told, it has not been the practice for limited owners to transfer their proper burdens to posterity.

In dealing with the *Wealth of Nations*, Adam Smith thought it germane to the matter to treat of the effect of endowments on education and learning, and to illustrate what he said very plentifully, and with no compliments to the place of his education, from his Oxford experiences. And, in fact, an honest economist cannot well do otherwise. I have no doubt that learning flourishes here exceedingly, and that our home-bred savants have a European reputation. The great Teutonic race, I make no question, acknowledges our contributions to letters, as heartily and as guiltlessly as we do theirs. But the economist is justified in examining the machinery of endowments, from which these great results of learning and research are quickened and strengthened, and in disarming the question of the probability of their continuance. Whatever men do, as Juvenal says, is the stuff from which we draw our inferences. And to speak truth, the present outlook is not encouraging. It seems that the future generation is to live on memories, a diet as unpalatable as the east wind.

The question as to how a true economic rent is to be restored is of vital importance. That rents of agricultural land have fallen below their economic value is, I submit, indisputable. If these rents were too high between 1860 and 1879 inclusive, they have fallen unreasonably, though not perhaps unnaturally, since. Now in dealing with the situation, as Johnson said, we must rid ourselves of cant, and cant is irrational optimism, or unjustifiable pretence. Scottish farming was not promoted, but rather hindered, by the nineteen-years lease. It was due in the main to the energy of Sir John Sinclair, and to the perseverance and ability of the

Scottish farmers, who did for Scotland what Arthur Young and the Board of Agriculture did for England. It is no use to suggest to the farmer that he will increase his profits and pay his rent out of Protection. It is no use to tell him that the same two-sided benefit will accrue to him from the acceptance of bimetalism. *Non tali auxilio, nec defensoribus istis*, he has learned in his rational moments to utter in honest English. I am disposed to believe that the scales have fallen from his eyes, and that he has recovered his economic vision.

The first thing which the tenant farmer needs, be he large, moderate, or small, is security. To offer a man a lease for five years at a nominal rental, and reserve to the owner the right to pounce on his tenant's outlay at the end of the term is a mockery. If he has put value into land it ought to be secured to him, and it is not difficult to appraise the value. If he has taken value out of the land he should pay for it, and it is as easy to appraise the damage, for crops tell tales. The principal cause why agriculture has suffered in England and Scotland, and rents have sunk ruinously, has been the insecurity of the sitting tenant. It is perfectly true that the law as laid down and administered has created that insecurity, and has even emphasized it. Now the law as it stands at present gives compensation for certain agricultural improvements, for some absolutely, for others if the owner agrees to them, for some not at all. But instead of taking the effect of the improvement on the tenement, it takes the cost of the outlay, and attempts to give it, a diminishing value. In my judgment, and I stated that judgment very freely while the existing law was under discussion, the theory of agricultural compensation was radically vicious, vexatious, and delusive. There is a very simple test. What is the measurable value of the service which the tenant has done to the fertility of land? But one reasoned in vain. The landowners were still besotted by the doctrine of the unearned increment. To be just, they alleged that the system of valuation would disable the valuer from discerning what part of the increase was due to the unearned increment. And the unearned increment is gone with Breitmann's party.

Besides, under the system which was ultimately adopted, no security was given to the sitting tenant. If the occupier, from

despair, or weariness, or incapacity, or from merely changing his mind, gave up his holding, the value of his permitted improvements was secured to him, if he struggled on, if he met bad times with parsimony, with enterprise, with diligence, with activity, he can still be rack-rented on his own outlay. But to imagine that people will deliberately, with their eyes open, when they are fully informed as to the state of the law, and while they are still able to exercise their discretion, invest their capital on what is so precarious as the abstinence of a landowner, whose wants may be pressing, whose devices are boundless, and who hankers after the unearned increment, is a remedy for agricultural difficulty which might be imagined in Laputa, but is, to use an expressive vulgarism, played out here. The dream of the unearned increment, was the hindrance to justice being done the sitting tenant. And I assure you the dreams of stupid people are often very solid obstacles. If security were accorded, I have no doubt that capital would flow back to land, and a rational competition become the order of the day. I cannot indeed predict that the rents of 1879 would be recovered, but I make no question that there would be a speedy increase on the rents of 1889. I hold with You., that people ought to pay for their holdings what they are worth. But the question as to what a thing is worth involves a great many considerations, on which people's attention has been recently quickened. One of them is, what is the extent of their risks?

The size of tenancies will always vary in countries where there is a great variety of employments over which a choice can be exercised. In such a country agriculture has its own peculiar attractions, and in many cases high profits are not incentives. But it is plain that fewer persons will compete for large than will for small farms, for the people that possess moderate incomes are more numerous than those who have large means. But in countries where the agricultural population greatly exceeds those who are engaged in other callings, farms will always be small. France is emphatically a country of small holdings, not because land is compulsorily divided after the death of an owner between his descending or ascending heirs; but because France is, has been, and must be, a country where rural pursuits are in the ascendancy. In Ireland occupancies will remain small. If this part of

the United Kingdom recovered the industries which the British Parliament destroyed, the epoch of large farms would begin and progress. No doubt Irish tenancies were rendered more diminutive than was natural from the practice which prevailed up to 1829 of creating freeholds in order to manufacture votes, and the mischief once done, it could not be recalled. But Ireland is, and will remain, a country of peasant farming, and, as I can affirm, however uncouth the surroundings of the farmer are, of minute and careful cultivation, to which, by the way, the publications of the Irish Society have greatly contributed. And in proof of what I say, one may note the columns of replies to correspondents on agricultural topics, which is so marked a feature of the Irish press. And in the same way the Channel Islands will always be a centre of peasant farming. Beyond this, and the keeping of lodging-houses, with the necessary shops, there is no choice of occupation.

The policy of granting allotments at economic rents, and with the same conditions of security to agricultural labourers, and for the matter of that to village artisans, and even to small shopkeepers, is recommended in my judgment by many considerations. I have often referred to the Act of Elizabeth in 1589, under which four acres of land were to be allotted to every new cottage, and overcrowding was forbidden in all cottages. The motive of this measure was undoubtedly to stop pauperism. But the remedy was not retrospective, and was therefore partial, and it probably came too late. But it was the law for nearly two centuries, and I am sure that its repeal, and not the practice of tea drinking, as Young thinks, was the cause of that increase of pauperism which Young notes and deplors. Its revival in some form or other would, I am certain, be a greater check to rural pauperism than anything else. It would, at least, make it more manageable.

It is, I am convinced, of great importance to fix the rural population to the soil by the tie of their own advantage. Some of the best hands have no doubt fled from a calling which held them out no hope in England. It is not expedient on grounds of the barest utility to drive the peasantry out of country places. A three- or four-acre holding would not indeed afford a very inviting prospect to a resolute and enterprising young man; but it is plainly very attractive to the mass of workmen. Where allotments can be

obtained, even in much smaller patches, they are eagerly sought after and carefully cultivated. Nor is it difficult even for agricultural labourers to find the necessary capital for spade husbandry, and even for the plough, if need be. It is clear, too, that the village would be a good deal the better for the voluntary scavenging of these small occupiers. In peasant cultivation the chief outlay is labour; the chief requisite, manure.

It is greatly to the purpose to develop the sense of property in the rural classes. It will always be found that in countries where peasant holdings are the rule, that crimes against property and robbery with violence are rare. Ireland is a remarkable illustration of the fact. Take away agrarian outrages—and however you may be disposed to view them, no one can doubt that there are special causes for them—however you may condemn them, and there is not a twentieth part of the committals for crime that there is in England. The assizes are constantly a blank. I do not affirm that under the most favourable circumstances peasant agriculture develops a lofty and heroic spirit. But it is singularly free from common crime. In Norway, in Belgium, in Switzerland, crimes against person and property are rare, almost unknown. The Channel Islanders say that all their criminals are imports. Even in rural France, where the hardness of temper which comes from poverty and parsimony sometimes leads to brutality, there is not a tenth the violence and theft recorded which marks a year's work in any London police court.

Allotments to workmen are a most valuable supplement to money wages. The reason is that the producer is also the consumer. If he works for what he gets from the land, he consumes his produce directly or indirectly on his family. Working men who occupy these little holdings have told me over and over again, at distant localities and with a frequency that left no doubt of their conviction, that every day's work which they gave to their allotment was worth ten shillings to them. And then, seeing my surprise, they volunteered their explanation, that this is what it would have cost them, if they bought the produce. There was indeed no other process by which they could estimate its value. Of course the labour of a farm-hand is worth nothing, like that to his employer, and however hearty it may be is not, as a rule, paid

at more than a fifth the rate. But the farmer has to live from his labourer's work, to pay rent from it, and, most important of all, to pay market charges from it. One should compare the profits of an allotment with the profits of a small farmer who holds fifty acres, who employs at most a man and a boy, and works as hard as both of them himself if one would realize the facts.

¶ I have attempted to give you in this sketch of English agriculture, some evidence by which to interpret the present situation. The question is a large one, and is assuredly of supreme importance. Unless the relations of landlord and tenant are laid for the future on new lines, I can only foresee more serious consequences than have yet happened, to say nothing of a growth of subversive ideas, which is already inconveniently rapid. My earliest interests and experiences were in English agriculture, and my desire for its prosperity has not been lessened during the long years in which I have been its historian.

IX.

HOME TRADE AND DOMESTIC COMPETITION.

The development of wants—Economic importance of secondary wants—Immutability of prices in the Middle Ages—The guild system—Exceptions to the general rule—The Common Law on Rings—The reaction to the principles of "laissez faire"—The monopolies of the present century—Competition of capitals—The middleman—Shops and co-operative stores.

COMPETITION is an effect induced on those who are engaged in production or trade, by the interpretation which they make of demand and supply. The various persons who constitute a social unit have certain wants. Some of these, as of food, clothing, and house-room or shelter, are primary and imperative, some are secondary, or voluntary, and can remain unsatisfied without injury to the individual. The tendency of human societies is always towards the multiplication of these secondary wants, the primary having been necessarily, and, as the name implies, previously satisfied. Of course as long as there are persons who depend absolutely on others for the supply of primary wants, it is always possible to draw the line between the two classes of objects, though even here, habit may elevate that into a primary want, which may in other places be secondary. Thus in England generally, no one would doubt that stockings and leathern shoes would be a primary want with which they who are the objects of compulsory charity

must be supplied. But in the north of England, where clogs or wooden shoes are worn, such articles would be deemed good enough for the inmates of workhouses, and the recipients of Poor Law relief. Farther north in Scotland, the use of shoes and stockings are or may be dispersed with altogether. In brief, the relief of those who live on the rates which are collected from those who have more than enough for their necessary wants, always tends towards what custom declares to be the minimum required for subsistence, in the three items of food, clothing, and shelter.

Now a sensible economist is by no means dissatisfied by the extension of certain secondary wants, and by their gradually becoming in a certain sense primary wants. In the first place, it is greatly to be desired that habits of refinement should be extended to all classes of society. It would be well if all the labouring classes—I use a convenient expression with the distinct knowledge that all persons who have any value in society whatever, labour—were able to satisfy secondary wants. One would rejoice if all the workers were well-fed, well-clad, and well-housed. There are few persons nowadays, who are so malignant and so silly as to wish to deprive such people of enjoyments, to tie them down to a mere routine of labour and of existence, to grudge them anything beyond the barest subsistence, and to deny them comforts and culture. From the narrowest view, one does not better the character of a man's work by refusing to allow him any relaxation and any learning. We have wisely concluded, however unwisely we may carry out the process, that an educated race is worth more, even as a mere machine of production, than one which is devoid of all training beyond that which gives him the requisite skill in his calling. Our educational system is open, I grant, to a good deal of destructive criticism. It is, in my judgment, a vicious and foolish compromise, superintended and manipulated under a ludicrously pedantic method. But it is so far sound, that it recognizes the necessity that the human being should be trained to something which is not mere work, and that this educational training should be universal, compulsory, and precedent to special or technical training. And what applies to the life of the young, and their preparation, applies to the education of people, as Adam Smith says, of all ages. The saying of the ancient sage, that men should

keep learning as long as they live, is true of all classes. Every kind of education from the highest to the lowest, which is ostensibly completed in youth, is if properly understood, and wisely used, but the supply of instruments, by which knowledge is constantly collected, accumulated, and utilized. Now to most adults, this growth of knowledge comes out of books, and one's personal observations.

Again the multiplication of innocuous secondary wants acts as a barrier against imprudence and misconduct. Once induce on the individual a feeling of self-respect, and he will not lightly sacrifice his position. This is that part of the Malthusian doctrine which is true, that self-restraint in lightly undertaking responsibilities, however natural and innocent they may seem, and under circumstances are, is a check to imprudent marriage. The rest of the theory, as I have told you before, is false. Vice and misery are not checks to population, but stimulants of it. When the vice and misery are the inevitable consequences of legislation, as they were when Malthus wrote, the same agency is the cause of overpopulation. It would not I grant have been palatable, if Malthus had told the truth, and it is highly probable that his work would have failed of acceptance, had he traced certain economical results to their true causes. For men are reckless when they have nothing to lose, and in the days of Malthus, the quarter-sessions assessment of wages had effectually cut away all margin from the peasant and the artisan beyond a bare subsistence. But when secondary wants have become habitual and customary, there is a margin which its possessor is unwilling to forego, which is, so to speak, a reserve of power on which he can reckon, can act, or can forbear acting. A community which subsists habitually on comparatively dear food is always more removed from the risks of famine, than another is, which lives on the cheapest which it can procure. If we could extirpate vice and misery from amongst us, and could instil into all minds a dread of falling from an existing position, it would be possible to deal with the most serious problems of modern society. Now I do not here discuss the means by which one could grapple with these evils. But I am sure that no action which diminishes the sum of them, fails of helping towards a solution of the graver difficulties, that such

action is worth a trial, and that all success brings us within measurable distance of the incorrigible residuum, and the acquisition of powers for dealing with that too. The extension therefore of secondary wants is no small factor in the moral progress of society. I had therefore good reason in urging that the economic doctrine of waste, of unproductive labour, and of unproductive consumption should be revised, that it should be stripped of barren metaphysics, and should be examined in the light of facts.

The competition which I am thinking of is of production or acquisition under the conditions of trade, and of supply on the interpretation of demand. It is therefore of the highest interest to know what the demand will be, and to this result nothing contributes more than the freedom of the market. In a sense this is acknowledged by every one. The people of the United States have adopted and maintain a protective system. But within the boundaries of the union the trade which is carried on is, by a fundamental rule of the constitution, free. We had not adopted such a rule with Scotland, little more than a century after it had been ruled over by the same king whom England had. We did not adopt this rule in Ireland little less than a century ago. The case was far worse in France. Trade was prohibited or hampered between the several provinces of which that country was composed, and in consequence, while there was famine in one province, there was unmanageable plenty in another. Nor, again, do I understand by competition the bare struggle for existence. To this perpetual struggle against the contingencies of famine, when man is not emerged from the savage stage, we owe the main of those curious customs among uncivilized tribes, which have attracted so much attention among anthropologists, and have been made, almost too hastily, the key by which certain practices, still surviving among civilized communities, are confidently expounded and accounted for. I can assure you, that what people boldly call scientific inferences are very apt to be reckless, perhaps unfounded. There are fallacies too in scepticism just as there are fallacies in superstition.

It was much more easy to interpret demand up to a century and a half ago, than it is in these later times. In studying the history of prices, I have often been struck with their uniformity during

long periods, and with the fulness of the interpretation which definite historical events give of mutations in prices. When no such event occurs, hardly any fluctuations occur, and it would seem that the equation of demand and supply was habitually achieved. A powerful contributor to this result was the entire absence of speculation, a tendency to which is necessarily heightened by any obscurity as to possible demand and possible supply. Another cause was the great slowness with which the cost of production was lessened. I will take an instance from the eighteenth century. During the greater part of the first half of this century, the price of lead and iron hardly changed. They were nearly identical, viz., £16 the ton. The cost of production I conclude remained the same, the demand almost invariable and quite intelligible, the supply equally certain. Of course corn prices varied from year to year, although England rarely suffered from famine. But over a considerable number of years, the same uniformity is discoverable. From 1261 to 1400, the average price by the quarter is 5s. 10³/₄d., from 1401 to 1540, it is 5s. 11¹/₄d. I could multiply cases of the kind, and exhibit to you in detail how unchanged prices are. Of course great events changed the ordinary uniformity. The Great Plague affected the price of labour, and of commodities, most of the value of which depends on labour. The conquest of Egypt by Selim I. trebled the price of Indian produce. The dissolution of the monasteries affected the value of what was the more permanent spoil of them. The issue of base money and the imperfect restoration under Elizabeth produced their effects on general prices—most of all on labour. The severance of England from Guienne, the last possession of the house of Anjou, had its effect on wine and salt imports, while the ruin of the Flemings under the rule of Alva had its proper result in the decay of the woollen trade.

The policy of town government and the guild system was unfriendly to competition, as understood ordinarily in economical theories. It, no doubt, assisted another form of competition, that not for indefinite demand, but for known customers. The essence of the guild system was the limitation of producers and traders. In early English life, to use Mr. Edwin Chadwick's phrase, the competition was not in the field, but for the field, a

form of competition, which, as I shall show you, is by no means extinct now. It was considered to be a legitimate act of authority for the rulers of a guild to fine a member who had offered a higher rent for a tenement than the sitting tenant was paying. It is clear that the proffer of a competition rent for arable land by a stranger was difficult, and would be resented if successful. The system of apprenticeship was a very effectual attempt to limit competition. The subsequent enrolment of the craftsman or trader in a guild, with fines for admission, and the strict limitation of occupancy to such persons as had been formally admitted, was another means of controlling competition. In this University, the restraint in certain callings by guild rules was vexatious, and the authorities easily obtained rights of matriculating persons whose callings were conceived peculiarly necessary or convenient to the University, and so of shielding them from the control of the town guilds. Booksellers, stationers, chemists, and barbers, were thus admitted, and the practice was continued up to living memory. For though the guilds were stripped of their property by Somerset, it still remained a rule of law that no person should carry on a trade or mystery in a town, where such persons existed by charter, who was not a freeman of the city or borough, *i.e.*, had paid for the privilege of corporate membership, or been admitted to the privilege through the ordinary road of apprenticeship. Now competition is either of producers or in the thing produced. In modern times, the double operation that producers compete against each other for custom, and profess superior quality or cheapness in the goods which they offer is familiar and customary. But up to recent times, *i.e.*, to the Corporation Act, the competition of producers was restrained, a practical limit being put on their number.

Subject to this restraint, which was, indeed, of the very essence of a corporation, and seemed to be not only practically defensible, but actually necessary for the development of trade, the policy of this country favoured competition, and the practice of the law courts enforced it. I do not doubt that any attempt on the part of these producers and dealers to form a syndicate or pool, with the view of regulating prices, would have been resented, and have brought the producers of such a scheme within the perils of the

legal definition of conspiracy. The doctrine of the restraint of trade was a very substantial check to attempted monopolies. Parliament was much more keen in its attacks on those who attempted by royal license to secure a sole trade, than it was against those other violations of private liberty, of which the prerogative was guilty. The custom of selling goods at fairs, all but universal a generation or two ago, must have given full play to competition under such circumstances. What Adam Smith calls the higgling of the market must have been all but universal. As far as regards producers in these days, the old practice is almost limited to farm produce, for the shop, with its arbitrary or discretionary, and fixed charges has superseded the market bargain. But the law went further. It created certain trade offences, and these in the interest of the consumer. These were badgering, forestalling, regrating, and engrossing. A badger, said to be derived from the French *baggage*, was a dealer in food, who purchased in one place and sold in another. These traders appear to have been liable to prosecution at common law, but were exempted from the penalties of 5 and 6 Ed. VI. cap. 14, under which the other offences were defined, and their punishment secured. But by 5 Eliz. cap. 12, badgers had to be licensed for a year only, and under recognisances against forestalling, engrossing, and regrating, a penalty of £5 being exacted, half to go to the Crown, half to the prosecutor, for any badger who dealt without a license. The offence of forestalling was that of purchasing food on the way to market, with the intent to sell the same at a higher or dearer price. Engrossing is an attempt to control the market, by purchasing the stock of food in existence, with the intention of exacting a higher price. Regrating is the re-sale of articles which had been previously purchased in the same market. The statute of Edward VI., which defines and punishes these reputed offences, was repealed by 12 Geo. III. cap. 71, apparently because the remedy seemed worse than the disease, though the repealing statute still recognizes certain acts of traders as offences, such, for example, as spreading rumours with intent to enhance the price of hops. The repeal of the Act of Edward left these offenders to the common law, and there were prosecutions and convictions under the common law after the repeal of the

statute referred to. The law was undoubtedly intended to protect the poor consumer against attempts on the part of the wealthy dealer to create an artificial price which should be inimical to him, and this was the plea for the several actions at common law which were taken. It was held by the courts that the doctrine on this subject applied to food only, and to such articles as custom or habit made equivalent to food, as for example, hops.

These offences, even at common law, have become obsolete. But in 1799, a period of great dearth, even of famine, one, Rusby, was indicted for having bought 90 quarters of oats at 41s. the quarter, and selling 30 of them at 43s. on the same day, the offence of regrating. Lord Kenyon, who presided in the court, dealt severely with Rusby's crime, denounced the repealing Act of 1772, congratulated the jury on the continued existence of the common law, assured the jurymen that forestalling was an offence under the laws of the Anglo-Saxons, regretted that Adam Smith was not alive in order that he might have sensible proof of how absurd his doctrine was, procured the conviction of Rusby, and fined him heavily. The sentence was not carried out, for a court of appeal was equally divided on the question whether regrating was, or was not, an offence at common law. In 1844 (7 and 8 Vict. cap. 24) the whole of the statutes, English, Scotch, and Irish, 36 in number, defining these offences, were cited and repealed, and with them the supposed common-law foundation for the repressive measures.

In England, then, these restraints on the action of traders are abrogated. But all the states of the American Union, with the exception of Louisiana, are under the English common law, the decisions of which law are of authority in the American courts. It is a principle, too, contained in the constitution, that laws cannot be passed, either by the State or Federal legislature, except under certain solemnities, without incurring the risk of being set aside as unconstitutional, by the Supreme Court of the State, or of the Federation, a check on legislation, which is decidedly popular in the Union. Hence, according to Dr. Dwight, the common-law doctrine of the English courts, before 1844, is the doctrine of the American courts at this time. Since Dr. Dwight has written his essay on trusts and their legality in the

December number (1888) of the "Political Science Quarterly," the facts have received a practical illustration in a decision of the New York Supreme Court, which has declared the illegality of the Sugar Trust, the very syndicate or pool which Dr. Dwight adduces and defends. It seems, also, that the reasons which induced the Federal Congress in its inter-state commerce law, to declare railway pools illegal, was founded on the same principle which has ruled in the more recent case. A pool is an arrangement between divers competing railways, under which they agree to regulate the traffic, avoid cutting rates of carriage, and divide the receipts on a mutual or reciprocal understanding. In point of fact, the concession of the principle of free competition among producers has been discovered to possibly involve elements of danger to the consumer. The comment of the younger Stephenson on railway enterprise, that where combination is possible, competition ceases to be operative, is quoted with much frequency and intensity by those who quarrel with present results, and it is not a little remarkable that in the country where domestic competition is declared to be a social law, this outcome of free action is criticised and repressed.

The English common law, as yet dominant in the United States, simply considers the case of food, or whatever may have been construed, or can be construed, as food, as the object or objects to which these reputedly illegal practices apply. But it is exceedingly difficult to draw the line. The services of a carrier can hardly, except by a strain of the facts, be included under this head, and yet an abnormal and excessive charge for carriage may paralyze a good market. The United States railway law, to which reference has been made, has put the conveyance of merchandise under what is practically the old law of forestalling and engrossing, the grievance being, so to speak, reversed. In the United Kingdom, we have adopted similar legislation, the ultimate effect of which must be tested by future experience. In theory, the legislation is intended for the benefit of the producer or trader; in point of fact, it plainly is in the interest of the consumer, since facilities of transit are really an indirect mode of cheapening the cost of production, unless, indeed, the advantage which producer and consumer anticipate from the process of

cheapening freight are intercepted by the middle-man, a risk which I shall comment on in the course of this lecture.

The justification of the policy which puts an end to all restraints on the free action of the dealer is found in the writings of the founder of modern economic science, and in those of the latest great authority on the subject—Adam Smith and Mill. The reasonings of the former are to be found in Book iv. cap. 5, of the "*Wealth of Nations*." The policy of Europe, says Smith, was to force the husbandman to undertake simultaneously the functions of a producer and a dealer, while it discouraged the manufacturer of other goods from taking on himself the functions of a shopkeeper. But, says Smith, such a violation of natural liberty is impolitic as well as unjust; the latter, because it wastes the producer's means by multiplying his avocations, the former, because it diminishes the capital which may be employed in cultivating land; and he urges that the trade of the corn merchant in reality increases the means by which corn can be raised. And again, the corn merchant acts on his own judgment, and must bear the loss of an error, as well as expect the gain of a wise foresight. If he is in the right, he distributes the produce of the year, an important social fact in the days when the home market was almost the sole source of supply, and though he makes the consumer "feel the inconvenience of a dearth somewhat earlier than he otherwise might, he prevents them from feeling them afterwards so severely as they certainly would." He then compares the popular fear of forestalling and engrossing to the popular terrors and suspicions of witchcraft. Smith had written his book before 12 Geo. III. was enacted. He gives some praise to the Act 15 Car. II. cap. 7, which gave some liberty to the corn dealer. The reasoning which I have condensed was that which excited the anger of Lord Kenyon in *Rusby's case*. The arguments of Mr Mill, Book iii. cap. ii. sec. 5, do not differ fundamentally from those of Smith, beyond this, "that the gains of a speculator in corn are not secured by the losses of the consumer, but by the losses of other speculators." This broad statement, under certain conditions entirely accurate, has a significance which I shall speedily refer to.

The acceptance of the principle of free competition was partly

the reaction from the restraints imposed by the old system of guild and freeman production and trade. This system was by no means universal, for the great industries of the north were not shackled by these limitations, and very likely owed their rapid growth to the freedom under which they were carried on. It was partly due to reaction against the protective laws which prevailed almost universally in the United Kingdom up to 1820, and were only partially relaxed for the next quarter of a century. As industry after industry was relieved from its trammels, the progress which each made seemed to demonstrate how great, how wholesome a boon was *laissez faire* and unrestricted competition. When Mr. Mill wrote, the country was just enjoying unwonted liberty, and was invigorated by it. Hence, Mill speaks warmly of competition, justly alleging that prices are lessened by its operation, as trade is exalted by it. For the most successful competitor in supply is the producer who lowers the price of the article in which he deals, and at the same time improves its quality, the next is the person who lowers price and maintains quality. It is towards one or both of these results that all invention, or in other words, all diminished cost of production is directed, and conversely in the absence of competition, inventive skill is arrested or at least checked. To extinguish competition, therefore, is to extinguish enterprise, and perhaps the policy of production and trade which our forefathers accepted as judicious and just, may account for that singular backwardness in the arts of life which characterized most English industries up to the middle of the eighteenth century, and nearly all of them up to the beginning of the same epoch.

But these prosperous and progressive days are in the nature of things not perpetual. Mr. Mill is entirely accurate in saying that there is no competition of capitals, for though the distribution of capital is by no means as easy and spontaneous as most writers on political economy affect to consider it, it is distribution, operating by the greater or less attractiveness of the object, and the real or apparent security which the object affords to the person who employs or lends capital, which dominates the direction which it shall take. If all persons were absolutely well informed, if they could interpret every risk, and still more important if they had

an absolute discretion, because they had an equal skill or opportunity over all the industrial processes for which capital is needed, the distribution of capital would be almost mechanical, and the apparent competition would be simply determined by the relative attractiveness of the pursuit. But, in fact, the fluidity of capital is very different in degree. In some cases it is entirely lost; in others it cannot be recovered without a loss. As I have often said that capital alone possesses the qualities which unthinking and inexperienced writers are apt to postulate of all forms of what they call floating capital, which is actually characteristic of a banker's balance. Even here the owner may be disabled by want of knowledge or skill from employing it advantageously on many objects which wider knowledge and greater skill would suggest. In brief, large masses of capital are being advanced, as large masses of capital have been advanced in callings which prove unremunerative, or scantily remunerative at best. The fluidity of capital taken generally, is as unreal as the wage fund. Much of the wealth which is accumulated with a view to production is virtually pledged by the owner to a special calling; much is waiting for opportunities. So with the capital which is destined to pay wages. Most of it is dedicated to special industries, and when more is wanted in any industry a draft is made on unemployed labour and unemployed capital.

There is, however, a very real competition of capitalists. This competition is sharpest in those countries where very few opportunities are given individuals to exchange from one industry to another, a state of things which is very characteristic of great industrial activity. The result of this competition is that profits are attenuated. The volume of business may be greater than ever; but the number of persons who design to share the profits may increase more rapidly than the trade does, and the resultant eagerness to get a share in the work of supply may force down profits, not only relatively as in the case of the increased number of competitors, but absolutely by the necessity of forcing trade. In other words, supply may be in excess of demand, and prices may fall below what is remunerative. Such a state of things, if we can believe the complaints which have been made, and were loud and persistent enough to secure a hearing from a Royal Commission,

was characteristic of British production and trade pretty universally up to about a year ago (1888), and induced many persons to seriously doubt whether the speculative economists were after all in the right when they repudiated the possibility of a general glut. This state of things is, conclude, what Mr. Mill means when he speaks of the tendency of profits to a minimum, and the stationary state, though as usual, he appears to have loanable capital in his mind only, and not that which is actually and permanently engaged in production. Or the competition derived from the manifest facts of a particular time may be directed to a particular class of objects, the production of which has been exceedingly in excess of demand, but the output of which can with difficulty, owing to the enormous loss due to the cessation of industry, be lessened or suspended. This was particularly the case with the coal and iron industries at or shortly after the events of 1874. The demand for these products was very great, and capital in the most inextricable form was heaped upon them. In a very short time prices became so low, owing to the enormous output and the inadequate, because discontinuous, demand, that if we are to credit producers, for years past there has been no appreciable profit obtained from hundreds of undertakings. It is said that the same fact is true of the salt trade, and that whatever were the gains of individuals a few years ago, the whole of those who are interested in this industry have hardly, for some time, earned interest on their capital. It seems that the beneficent operation of competition is at an end, and that if the existing body of producers is to exist, some other expedient is to be adopted by which a fair profit can be gained by a national industry.

The expedient which is being adopted in certain cases, notably the last named, is that of associating all undertakings, regulating the output, and regulating the price, compensation being made from the common fund of all sales effected on this heightened price, to those whose personal action is curtailed or suspended for the common good of producers. Attempts of this kind, under the names of ring and corner, have been frequently made, but hitherto by private speculators, generally with disaster at the end, a disaster which our lax bankruptcy law is apt to condone. But

recently, under the name of trusts in the United States, or in the case of railways, pools, and syndicates in the United Kingdom, it has been sought to check cutting rates of competition by syndicates or agreements. As I have said, the Sugar Trust of New York State has been declared illegal, but no attempt has been made to test the legality of the British syndicate, and we are informed that it is expected that the syndicate system will be extended to coal and iron, or that at any rate, some binding understanding will be entered into by which prices will be regulated and profits secured.

These efforts do not appear as yet to create any alarm or hostility. There is a feeling which is natural and generous, that a reasonable profit should be obtained in all industrial callings, and that if some small sacrifice is demanded from the public, it should be borne patiently. There is a stronger feeling still, that except the circumstances are as rare as those in which an export duty can be imposed, conditions which I have stated before, but may repeat: (1) That there is no other source of supply; (2) that there can be no substitute for the article; (3) that there can be no economy in its use; and (4) that the article is a necessary of life, such expedients are destined to failure, and even to a greater loss than the continuance of the industry under the old conditions, however unsatisfactory they may seem and are.

Attempts to secure prices to producers against competition have constantly been made and have constantly failed. The most profitable process hitherto known and employed is for strong men, or a combination of strong men, to ruin weak ones by low or unremunerative prices, and having secured a monopoly, to commence a legal pillage of the public. But though the expedient may enrich individuals it is essentially transitory. Sooner or later competition reappears, and extraordinary profits are arrested. I have heard of persons who, having acquired almost a monopoly of production, have bought out rivals at a price which is greatly in excess of the value which they have in the business. Such a proceeding, if it became known, would obviously be a stimulant to competition, and if it were extensively imitated would, it seems, prove ruinous to the purchaser of rival interests. Or an understanding is entered into by which some well-known firm publishes

its prices, and suggests to others that they should follow the price, not compete by cheapness, but compete by custom. This is said to have been, for instance, the case in the iron trade, and that Dudley gave the price. It is also said to be practised in the yarn business. But it does not seem in either of these instances to have arrested a fall, or assisted a rise. Externally, the practice of the Bank of England of publishing its rate of discount, which has been its regular habit since the Act of 1844, appears to be of a similar character. But though the Bank rate suggests the charge for discounts in the open markets, it is well known that it does not regulate them. It is even said that the Bank is not consistent with its own declaration, and that it has different rates for different kinds of paper and different customers. But in reality, the Bank rate of discount is the interpretation given in the Par-
lour of the sufficiency of the reserve, that is of the amount of specie which the Bank holds in its cellars. Still less successful is the attempt to create a temporary monopoly by controlling the market of supply, a tradesman's device, to which I have already referred, and to which I may add the statement that if it fails, and the speculator loses other people's money by bankruptcy, he ought to be severely punished, as he is by the French law of bankruptcy and insolvency.

Recently an attempt has made to control the salt trade of Worcestershire and Cheshire. We are informed, and we hear it with some astonishment, after taking account of the great fortunes which some salt producers have made, who notoriously began with nothing, that competition has extinguished profits in this industry. At any rate, it appears that an inclusive syndicate of salt manufacturers has been passed, and that this organization has already materially enhanced the price of the article. Now the salt industry, which consists in drawing strong natural brine from the soil by pumping and evaporating the fluid, began, or was revived, in England at the end of the seventeenth century, as Houghton, a diligent observer of facts, informs us. The object of the industry at first was to supersede the old process—the evaporation of sea water by solar heat—a process which was successfully carried on in the south-west of Europe, and particularly on the French sea-board. So important was the supply from this source, that it

constantly becomes an object of diplomatic negotiation and treaties, the English Government stipulating for the free export of French salt, of which you may find copious evidence in Dumont's collection of treaties. The next stage was due to the growth of chemical science. Easy and cheap processes were discovered, by which salt was successively transformed into sulphate and carbonate of soda, in which latter form it has a great economical use, as for instance, in the manufacture of hard soaps. The third stage was also the result of chemical discovery, and is due to the utilization of waste or bittern, which is always present in sea water, and generally in salt springs, and contains those important elements, iodine and bromine, though I have recently been informed by a well-known manufacturer, and promoter of the syndicate, that the Cheshire springs are almost devoid of these constituents; and therefore, if as is constantly the case, the profits of the manufacture depend on the bye-products, are in a less favourable position than other deposits, such as those of Eastern and Southern Germany, where they are far more plentiful.

Now let us grant, as evidence seems to prove, that the action of the syndicate has raised prices, and consequently profits. The question is, will the rise be permanent, or indeed anything but temporary? One of the first announcements after the combination had taken effect was that there are vast, and as yet unworked, salt deposits in the county of Durham, which an exaltation of price will assuredly bring into the market, that is, into competition with the syndicate. These deposits are said to be deep, but at present Artesian boring can be carried on at a quarter the expense which was necessary twenty or thirty years ago. Only a few days ago, I read that more accessible deposits exist in the Carnforth district of North-west Lancashire. Besides, these are the great salt mines of Cracow, and those from the Saltz Kammergut. An appreciable exaltation of prices would bring these into the market, and expedite the transit of them by new railways. Now, the consequences of this kind of competition are that if it be once taken in hand and carried into completion, the latter end of the existing production will be worse than the beginning, for it is a rule in production, which speculative economists are apt to entirely lose sight of, that existing industries, however they may have originally

come into existence, make desperate efforts to survive, and will endure a long period of depressive profits before those who are interested in them are willing to witness a total loss of the capital which they have invested in the undertaking. I should infer, therefore, that the power of combination as a check to the reputed evils of competition is precarious, temporary, and liable to a ruinous reversal. Nor do I feel entirely convinced that the legislature would, if the consequences became serious, permit the rule which it still lays down, as to practices which are reputed to be "in restraint of trade," to be covertly or openly evaded.

We have, it is true, got rid of the statute of Edward VI., first by the Act of 1772, which referred what were conceived to be obnoxious practices to the common law, and next by the Act of 1844, which negatived even the common-law doctrine. It is possible that the courts of law in those days would require abundant proofs before they ruled that a practice was in restraint of trade. But no such conditions bind the British legislature, and it is quite possible that unwisdom and the charge of rapacity might induce the Parliament to interfere with this new development of *laissez faire*. The object of *laissez faire* is to favour individualism, as people call it, not to favour combination, still less what might be held with more or less show of reason to be a conspiracy against the consumer, and that an unequal conspiracy, in which the profit, if any, accrues for a time to the combination, while the loss falls first on the public, and only subsequently on the projectors and their creditors. And though it is highly probable that the British legislature and the courts of law would consider these economic checks quite sufficient to prevent serious mischief to industry, it is, if we can judge from the practice of legislature, and especially from a recent act of legislation, by no means the intention of Parliament to allow *laissez faire* in combination, or even in the individual, when it is believed that such a course of action would lead to public or even to grave private inconvenience. Thus the legislature has fixed a tariff of its own for the hire of certain public conveyance, in others it trusts so far to competition that it will allow the trader to fix his price, but constrains him under penalties to publish and abide by it, and by a recent act of legislation has put all railways, especially as con-

vayers of goods under a Commission, which possesses very energetic powers of discipline. The State in the United Kingdom is quite willing enough to act when combination against the presumed interests of the public is proved to exist ; it declines to act, or is indifferent to the action, when it believes, as it generally believes with reason, that the expedient adopted carries its own remedy with it. At the same time, I am entirely persuaded that if the practice, of which we have seen a few experiments lately, and of which more are threatened, became general, and was believed to be mischievous, that Parliament would not hesitate to intervene.

The natural check to excessive and ruinous competition is the likelihood that the weaker combatants in the struggle will succumb, that in a rough way the survival of the fittest will be the result, and that the industry will ultimately right itself. Anybody who studies the history of manufacture and trade will find that competition has been effectually operative against classes of workers and against localities. For example, hand-loom weaving has been practically extirpated by machinery, wood-cutting machines have greatly curtailed the work of the joiner, machines for the manufacture of nails and screws, and, as far as I can judge of a recent case, chains have extinguished the trade of the nail smith, the hand screw-maker, and the chain maker. It is idle to think that the successes of mechanical science have been a universal gain to all sections of the community. Every invention which shortens labour in the aggregate, impoverishes labour in detail, and it is foolish and impertinent to dwell exclusively on the optimist side of industrial progress. The palliative is that it comes slowly, that if the change is made, it takes a generation before it becomes universal, always provided that no unfair action is taken. Thus, for example, the Nottingham Frame-breakers Act (52 Geo. III. cap. 16, 1812), inflicting the penalty of death on this offence, apart from the atrocity of the penalties, was an outrageous act of injustice. The legislature, under the Quarter Sessions Assessment Act, had driven the wages of workmen forcibly down to starvation point, and was now inflicting the punishment of death on those who refused to take starvation patiently.

So, again, industry under domestic competition may be transferred from one locality to another. In early days the county of

Norfolk was peculiarly fitted for woollen and linen weaving. Under the agriculture of the time the soil was easily worked, and there was close commercial intercourse between this county and Flanders. But the climate, Norfolk being the driest county in England, was unfavourable to the production of the best yarns, and the manufacture gradually drifted away to the more congenial west, and especially when steam power came into use, to the neighbourhood of the Somersetshire coal field. Simultaneously, at first for coarse fabrics, and subsequently for the best kinds of goods, Lancashire and Yorkshire and the southern Scottish counties distanced the western manufacturer. Here the downward process was accelerated by the foolish ruling of a particularly foolish judge, Lord Kenyon, who granted the farmers and landowners the power of rating machinery, a permission of which the Yorkshire spinners declined to avail themselves. Still, in accordance with a law or practice, which I have several times commented on, that people will make prolonged struggles in order to obviate the loss of fixed capital, some of these ancient centres of the cloth trade continued to exist. Their existence has been helped in some instances by railway communications. Thus there is a thriving cloth manufactory at Chipping Norton in this county, where the industry has been carried on for centuries, and though the industries of Frome, Taunton, and a hundred other localities have been extinguished, I heard last summer that the weavers of Bradford-on-Avon in Wilts, are as satisfied with their industry as the weavers of Bradford in Yorkshire are with theirs.

Again, in early times, nearly the whole shipping industry of England was centred in the southern ports. When Edward III. collected his fleet for the engagement at Sluys, and, as the custom was then, impressed the merchant vessels, the little town of Fowey in Cornwall supplied him with the largest contingent. So active was the trade of King's Lynn, that in the Middle Ages it went by the name of "Villa Mercatorum." The port of Bristol was in its infancy, that of Hull was being begun, that of Liverpool in the distant future, even that of London was unequal and uncertain. The reason is not far to seek. The vessels of the time were of light tonnage and draught, and for such vessels the southern ports were numerous and accessible. The mariners of Fowey were per-

petually engaged in private war with France, and memories still survive in that little port of reciprocal surprises and massacres on both coasts. The southern and eastern towns, too, were in close proximity to the Baltic trade, and to commerce with the wealthy towns of Flanders. The mercantile marine of England was therefore inevitably developed here. Besides, the German Ocean is generally calm, while we may be sure that the Atlantic was looked on, by the mariners of the time, with undisguised dread. In course of time, the New World and the Cape Passage were discovered, and though the English people, as usual, was exceedingly slow in using these discoveries, it did at last get a firm hold of the best regions in the New World of America, and the Old World of India, where it founded vast empires, one of which was entirely lost by the folly of a Hanoverian king, and the other only saved by a minister whom the same Hanoverian king most unwillingly employed.

In short, domestic competition, if one studies it historically, has wholly transposed the centres of industry during the last few centuries, a fact which the teachers of political, physical, and commercial geography would do well to study, instead of merely contenting themselves with present conditions. For, in short, though human folly, and especially the folly of government, may wreck the fairest opportunities and destroy by unwisdom or greed what it cannot recall or revive—as perhaps the English Parliament did permanently by Irish industries—much depends on natural conditions, and these conditions are worthy of constant and attentive study. I can quite conceive that the best prospects of commercial and political unity may be rendered impossible by mischievous political elements and selfish social aims, for the hardest, and on the whole the most unsuccessful efforts are made by shallow persons who try to reconcile the incongruous, and have not the intelligence to discern the incongruity, to say nothing of their ignorant impatience with those who show them the difficulties in their way. And the student of social history has often to mourn over the presumption which characterizes “men of light and leading,” or “sovereigns and statesmen,” or, as the latest phrase has it, “of persons who have the leisure and the means” to undertake affairs, and inflicts irreparable injury on what it undertakes.

Much complaint has been made of late years by those who study, perhaps perforce, the conditions of manufacture and trade, at the enormous difference between the price at which they sell, and that at which the consumer buys. The complaint comes from husbandmen and manufacturer alike, and the facts are in strange contrast with the experience of an earlier age, in which, producer and consumer were brought more closely together than they are at present. There is, in brief, a considerable, it may be an unintelligent, outcry against the middle-man, and more reasonably against the large number of persons, all expecting a profit, and constantly a large profit, on an article which the producer would be glad if he knew the way to deal indirectly with the consumer. For this result, the indolence of the principal parties to the transaction is responsible in the main. More than a century ago Arthur Young complains that the staple produce of the farmer, wheat, passes through the hands of a dozen or half a dozen brigands. Recently Mr. Illingworth, of Bradford, has been calling attention that the staple industry of that town is charged 100 per cent. above the selling price when it reaches the consumer through the middle-man, and traces with much plausibility the depression of trade to the outrageous profits which the distributors appropriate. There must be some truth in the allegation, for one of my own personal friends, an eminent manufacturer in the district, assured me that he raised a decaying industry, to which he was brought up, into a prosperous one, by the elimination of useless and costly intermediaries.

Half a century or a little more ago, the consumer was brought into contact with the producer, in a manner which modern experience or habit has no conception of. I speak from personal memory. My father, a country physician, in extensive practice to be sure, but with an enormous family, brought up in the main under Pitt's income tax, and to quote the worst of the gang, Vansittart's finance, habitually purchased nearly all which his own estate did not produce for his household at the great fairs of the neighbourhood, clothing, leather, and certain agricultural produce, the two former being made up by local artisans working at piece. Except under this system I do not see how he and a hundred other of the poorer gentry could have lived through these evil

times. People could not endure the charges of shops and the profits of retail trade, and therefore bought extensively and immediately from producers, with whom they bargained for what they purchased, under what Adam Smith calls the higgling of the market. Speaking generally, even when they purchased foreign produce, they bought in bulk—wine by the pipe, half pipe, butt, or half butt; tea by the chests. I am not quite sure that in the general stint which atrocious finance caused, they were entirely unmoved by the chance of procuring smuggled goods. It is certain that all the country-side sympathized with those bold traders who elected to avoid, if possible, customs charges, and did, I suspect, with much activity and success.

The epoch of shops is comparatively recent. It is true that nothing fades more rapidly from the memory of a later generation than the domestic expedients of an earlier epoch, and we are now further removed from the experiences of my youth in these matters, than our fathers were from the age of Elizabeth and the Stuarts. Now it will be plain that a shopkeeper must maintain himself and his family and pay rent and local charges out of the profit of his goods. If in a given town half a million of money is turned over every year in groceries, and there are two hundred and fifty grocers in the town, it is plain that each of these traders on an average will have a turnover of £2,000. Of course, some will have a turnover of ten or twenty times the amount, and therefore the business done by the others is so much the less. But two things are plain—(1) The profits of his business must be sufficient to supply the charges of the grocer, who, keeping his head above water, has the smallest amount of remunerative business; and (2) the man who does the largest business has no reason to regret or dispense with the initial charges of the least prosperous among his fellows. It is like what is said of land. If the least fertile land can be worked at a profit, or at least to cover all outlay whatsoever, all the better for the best land. And this is the case generally with retail trade. Its charges, under the name of gross profits, bear all the expenses incurred by all the traders. If the large trader sold at a price which could pay him say 10 per cent. only, and the public knew it, he would infallibly extinguish the less prosperous trader. As it is both compete, not

at cutting prices, but in such a way as to secure the largest custom. It is the competition for custom, not by cheapness. To this all the fashions of modern social life lend themselves. The habit of bargaining has totally passed away from retail trade. The shopkeeper fixes prices, and strives to get custom. Of course if his goods are not perishable, and his sales are rapid, he can afford to make his gross profits moderate. But as long as demand remains the same, the multiplicity of dealers makes him to a great extent independent of market fluctuations, and relieves him from the inclination of giving his customers the benefit of a reduction. The farmer complains that he is constrained to sell his cattle and sheep at ruinously low prices, but the householder cannot trace the depression in his butcher's bill. Cotton, wool, and silk are cheap beyond experience, and the rivalry of manufacturers reduces the cost of production in even a greater ratio. But the depression is not exhibited in the draper's scale of prices or in the tailor's charges. And the same sort of thing is witnessed in those articles where the substitution of machinery for manual labour has greatly cheapened the cost of production. The working tailor and the seamstress earn a miserable pittance, but the charge to the consumer remains unchanged. There is, in short, it is alleged, an understanding among dealers, which ensures some profit to all, and the consumer has no appreciable advantage in lowered prices.

The habit of buying everything at shops, and nothing from the producer, is peculiar to this country, where marketing by private families is practically obsolete. It survives, as every one may see, in continental cities; if, for example, any one were to visit the Brussels market in any one day through its successive changes of merchandisc. It is a good deal assisted in this country by the practice of producers who might, and to a small extent do, sell, by demanding and expecting shopkeepers' prices for what they bring round. Now no one can be expected to give as much for that which comes to him at a fixed price as he has to give for what he purchases at a shop at his own time and discretion. The same result is assisted by the fact that there is no understanding or association at all among producers, especially of agricultural products. In Switzerland the dairy farmers send their milk to a central association, where it is turned into butter and cheese, the

contributors of the milk securing a rateable proportion from the price at which the product is sold. The same system is practised in the creameries and cheese factories of the United States. This is a step only in the direction of that return to ancient usage, which, according to those who have written about the grievances of the producer's trade, one may hope to see taken, always on the assumption that the grievances are real. They seem to be, when one considers how important to the small farmer is the profit, or rather the economy of loss on his own consumption.

An attempt has been made to economize the shopkeeper's charges in the so-called co-operative stores. These institutions are of great significance to artisans and labourers, for the charges of the retail shop are very heavy when the trade is precarious and the parcels are small. In this trading, owing to the practice which these associations have uniformly adopted, of taking ordinary retail price, and dividing what remains over the cost of distribution among the members in proportion to their purchases, it is easy to discover what was the cost of retail trade to the poor. The system has been extended to other classes, and it is understood that a very large business is carried on in them, greatly to the discontent of London tradesmen, with whom dealing at stores is almost an inexpiable offence.

One disagreeable result has come from competition in domestic trade. I refer to the adulteration of goods. The customer as much purchases the reputed skill and experience of the trader in the purchase of what he needs as a patient does the acquirements of a physician, the client those of a solicitor. To make an implied trust the ground of a fraud, to use the skill which one relies on in order to procure genuine goods as a cover to the sale of adulterated articles, is an offence which the law should punish severely. But there are persons whom one has been surprised to hear in defence of these practices, and it is plain that they who commit these frauds consider themselves ill used when they are detected, exposed, and punished. It is doubtful whether public opinion would endure the French practice, under which the malefactor is compelled to publish the evidence of his own offence. There is still a good deal of tenderness shown to the tricks of trade. It is said, with what truth I cannot discover, that even the co-operative

shops, the fundamental position of which was that they would sell genuine goods at ready money only, have occasionally succumbed to this form of competition for cheapness, and that some of the reproaches which have been cast upon competition among working men are due to the fact that their own order has yielded to temptation.

The duty of legislature seems clear. There should be no truce with those who sell unwholesome food, for this is a common danger, induced by a very base appetite for fraud. But generally it is in the interests of honesty and fair dealing to chastise those who in trade sell, calling what they sell by a name which it is not. It has been found necessary to check malpractices in international trade, after loudly expressed complaints; but it is certainly inconsistent to condone identical practices in domestic trade.



X.

HOME TRADE AND INTERNATIONAL COMPETITION.

Protective tariffs used to facilitate international competition—National monopolies—The colonial theory—Struggles of English statesmen to create a sole market—The South Sea Scheme—The American War of Independence—Free trade and competition—The unions with ~~Scotland and Ireland~~—Reputations for commercial integrity.

WHATEVER may be said about competition for the home market among home producers, in which the home producer has two great natural advantages—saving in the cost of freight, and a more ready and rapid interpretation of demand—there is no question that competition rules absolutely in the foreign market. So great is the superiority conferred on the home producer by these advantages, that I am accustomed, and with justice, to call them a natural protection. They are in fact equivalent to a considerable duty imposed for protectionist purposes, and they cannot be annulled. In the colonial trade the manufacturers of Great Britain have also an advantage. They stand, to be sure, on the same natural level with the producers of other nations in the matter of freight, in those countries, at least, that can compete with Great Britain in the carrying trade. But the British trader has in some degree the second advantage. He is better able to interpret demand than his foreign rival is. He has another ad-

vantage as an extensive, and it may be believed, a sole creditor of the colonial purchaser, on which I shall have to comment presently. There are, to be sure, two processes, one unlimited in extent but temporary in duration, which some foreigners, especially Germans, have not scrupled to use. This is the forgery of trade marks, and the vending of worthless goods under creditable but assumed names. We have put an end to the practice, none too soon, in our imports; and it would be wise if our dependencies followed our example. The other process is limited in extent, but may be permanent. It is that by which the manufacturers and traders of a protectionist country put the costs of their competition on the consumers of their own country. It will be manifest that if the producers of any country induce the government of their country to impose protective duties, it must be on the plea that, notwithstanding the natural protection expounded just now, they cannot carry on the industry without it. If they could the tax would be a merely wanton exercise of power, and the reputed benefit would eventually be repudiated, and that without much delay, by the protected industry. But by the very terms of the case such a product would have no chance in competing in a country against identical goods produced by a community which repudiates protection, and in which the price generally conforms to the cost of production. The only means by which an entrance can be effected is by lowering what is sold below the cost of production in the country of its origin. But it must be allowed that people will not produce at a loss. There is only one process by which the loss can be made good. This is by charging the home consumer with the costs of the venture, a process facilitated by protective laws, which leave the consumer at the mercy of the producer. But the same circumstances make the experiment a limited one. If it grow to be a considerable trade, the additional charge to the consumer would be intolerable. And, in point of fact, the cases to which fair traders point are exceedingly trivial. I hear of Belgian and German iron being imported into England, but I do not find the entries even in the expanded returns of imports by the Board of Trade. If you hear of large shipments of foreign goods produced under protection competing against similar goods produced by free-trade countries in a neutral

market, you may, before you assent to the assertion, ask two questions : 1. Is the fact as is stated ? 2. Are these goods fraudulently marked or not ? and nine cases out of ten it will be found that the first question will be answered in the negative and the second in the affirmative. There may be, indeed, an honest attempt made to procure information as to the market, and to establish a connection, for which traders are content to make temporary sacrifices. But in the long run the business cannot be maintained except at the expense of the consumers in the protection-ridden country.

In a neutral market, *i.e.*, one which, whatever be its fiscal system, shows no favour to any particular nation, competition is absolute, and combination, if not impossible, is in the highest degree hazardous. One reads, to be sure, in the United States, of corn and cotton rings, and such expedients ; but I do not remember to have heard of one which has not ultimately landed its projectors in a loss. It would be difficult, but perhaps not impossible, to rule the market, when the commodity is not only a sole product, but conforms to the conditions which I have stated in my last lecture. But such a commodity is of the rarest occurrence. ~~Years ago~~ when I was preparing an edition of MacCulloch's "Dictionary of Commerce," I thought that I had discovered a sole product. This was emery powder from the Isle of Naxos. Emery is a kind of coarse corundum, its hardness being inferior to the diamond only. It is a necessary to the steel polisher. But since that time the article has been found elsewhere, and Naxos, and with it the Sultan's establishment, into the maintenance of which the greater part of the Turkish revenue goes, and the Turkish loans have gone, lost their monopoly. At the outbreak of the Civil War in America, cotton seemed to almost conform to the conditions which I have laid down, and certainly great distress ensued in Lancashire on the failure of the cotton supply. But the facts did not correspond with the theory, and perhaps one important, indirect advantage which ensued from that terrible war, was the extension of the area of cotton planting, and the consequent relief of the cotton industry from dependence on almost a single source of supply.

I am assuming that no favour is shown to any country in trade

with a foreign market. Such favour has been shown in the history of international commerce. The Methuen treaty was a case in point, under which the English government gave exceptional advantages to Portuguese wines, and received exceptional advantages for English woollens. In practice it is found that the adoption of what is called the most-favoured-nation clause in commercial diplomacy becomes in time a general concession. Every community desires to increase its foreign trade, for success in this process stimulates industry, secures profits, and gives a wider choice of imports. The most protection-ridden country wishes to sell, however much selfishness, having acquired influence; and folly, which is misled by sophistry, may curtail discretion in buying. Hence if one government sees that its rival in commerce has secured a trade advantage by treaty, it chafes at the favour, resents it if it be powerful enough, and is always on the look out to secure what benefits such trade possesses, or is reputed to possess, for its own citizens or subjects. The Methuen treaty with Portugal was, to be sure, very enduring. But there were political reasons for it. Philip the Second of Spain and his descendants were undoubtedly, according to the law of inheritance as recognized in the two countries, the heirs of the Portuguese monarchy after the death of Henry of Portugal in 1580, and Philip, after a brief struggle, annexed that kingdom to his dominions. Sixty years later, and the Portuguese re-asserted their independence, and after a long struggle secured it. But the old Spanish family never forgot its rights as it reckoned them, and assuredly they were as keenly entertained by the Bourbons. Hence when the Grand Alliance, designed to prevent the accession of Philip of France to the Spanish throne, was formed, the Portuguese, after some hesitation, joined it, and when, after the peace of Utrecht, and the European guarantee given to Portugal, the French and Spanish houses associated themselves in what is known as the family compact, the renewed danger strengthened the policy which had been adopted more than a generation before. In point of fact, for dynastic reasons, Portugal remained the ally of Great Britain in the Spanish peninsula.

In order to treat properly the subject which I have taken for this morning's lecture, the extension, namely, of the foreign trade

of the United Kingdom by means of British manufacture, it will be necessary to give you a sketch of the origin and development of English, and subsequently of British, trade. Its progress was very deferred, and exceedingly slow, so late and so slow that we cannot account for the facts except by showing that some natural hindrances, and certainly some national backwardness, must be assumed. The former are not obvious, for England always was a powerful maritime nation, except for a time during the Stuart dynasty, and certainly very close to her shores, England must have been exceedingly familiar with a country of prosperous manufactures and great commercial wealth, first in Flanders, and later on in Holland. But it did not succeed in imitating and rivalling the latter of these communities till after a considerable interval, and they who study the history of Holland can easily see how incessant and how unfair were the intrigues with which the Stuart and the Hanoverian governments alike tried to pander to mercantile greed in depressing the trade, narrowing the manufactures, and lessening the credit of the Dutch. It was the policy of English public men from the days of Selden to the days of Canning, and in my judgment the policy was as unwise as it was discreditable.

The English, as I have said, were always a seafaring nation, though after the cessation of Norse piracy, due, as I believe, to the repressive action of the Hanseatic League, maritime battles, the inevitable accompaniment of maritime adventure, are not much heard of. But the fleet which conveyed Richard to Palestine in his crusade against Saladin was, according to contemporary writers, collected entirely from the English ports, and was remarkably large. The battle of Dover, in 1217, in which the vessels of the Cinque Ports totally defeated and captured the French fleet of Eustace the Monk, is perhaps the earliest English naval battle of which we have record. When war was being waged, it was the monarch's prerogative to impress merchant vessels into his service, and it was not till the reign of Henry VIII. that the king began to construct vessels in his own dockyards for purposes of war. It was to Henry that Portsmouth owes its rise as an arsenal and dockyard. But it is not necessary for me to follow the fortunes of the British navy. It declined greatly under the early Stuarts, was

revived and rendered effective by Cromwell, and was the object of some attention from James Duke of York.

The export trade of England was trivial for centuries, except in its two staple articles, wool and hides; in the former of which it possessed an actual monopoly, and was rendered capable of exercising great diplomatic power by virtue of this important produce. A very considerable part of the military expenditure of the Edwards and Henrys, during what has latterly been called the Hundred Years' War, was derived from export duties on wool. So complete was the monopoly possessed by the English sheepmasters, that Parliament was able constantly to exact a duty of more than 100 per cent. on the sack of ordinary wool without checking the demand, lessening the price, or impoverishing the husbandman. In point of fact English wool satisfied the dreams of a financier. It bore an export duty, every penny of which the foreigner paid. But though the cloth which might have been manufactured from this wool was, weight for weight, five or six times the value of the wool—I have recorded the weights and prices of both the material and the goods, and, therefore, can speak with confidence—there was no manufacture of cloth in England which had any reasonable prospect of a foreign market. In the statutes of 4 Henry VIII. and 23 Henry VIII., regulating and defining the cost of freight from and to the various European ports which English vessels frequented, from the Hanse towns on the Baltic to Malaga, the range of English commerce, there is no evidence of exports from England other than of raw produce. So profitable was the growth of wool that it was deemed to be a discouragement to general agriculture, and several statutes were passed in the first half of the sixteenth century restraining the keeping of excessive numbers of sheep. In brief the price of wool remained very high till near the end of that century.

The fact that manufactures did not extend themselves in England was not for want of legislation on the subject. I should weary you with a profitless recital were I to enumerate and comment on the numerous statutes which were enacted for the encouragement of the woollen trade, the police which was established in order to ensure its quality, and the powers given to guilds with the same ends. The mass of the English people were

no doubt clad in home-spun, but there appears to have been little or no exportation of English cloth. Even at the end of the seventeenth century, the broadcloth in which the wealthier classes were clad on certain occasions, for you must not imagine that on ordinary days the nobles were dressed as you see them in pictures, came from Spain and Holland, and is regularly so described in their private accounts. It was not till the eighteenth century that the English procured the best qualities of cloth from English factories, and the emulation of the Scotch, admitted after 1706 to all the advantages of English trade, was aroused.

There is no doubt that such progress as was made in the arts of life was mainly due to immigrant foreigners, from Flanders in the sixteenth century, from France in the seventeenth. Religious persecution drove away from their homes the Calvinists of these two countries. England, either as a cause of backwardness in the manufacturing arts, or as an effect of backwardness, was rural and agricultural, and up to the middle of the eighteenth century was exceedingly behindhand in its dominant industry. Now the country people were always intolerant of strange settlers, and would be very much more so of foreigners. I do not doubt that the severe and unjust law of parochial settlement was by no means unpopular. Easy and rapid communication between places has done much to modify a sentiment which one or two generations ago was well-nigh universal. A stranger, commonly called a foreigner in a parish, was a rare and unpleasing phenomenon. I can remember in my own youth the dislike with which a strange labourer or strange artisan was admitted into a country parish. Now with this feeling about, and it was undoubtedly stronger two centuries ago and more, foreign immigrants would be constrained to aggregate in towns, and to ply their craft where they would be under a less jealous scrutiny. Men might subscribe to maintain the refugees of persecution, and yet would be very unwilling to admit them to social equality and general acceptance. The towns then grew by the influx of foreigners, new industries were developed, and old ones were improved or perfected by the presence of these industrious exiles. But the process was very slow. I very much doubt whether a ton of English or Scotch iron was exported till after the first half

of the eighteenth century. I am quite certain that the English manufacturer for home consumption depended, up to the time of which I am speaking, for this necessary product on the Biscayan and Swedish forges, for three kinds of iron alone are quoted in prices current. These tables are given generally in certain newspapers of the time and in the monthly magazines.

The Methuen treaty, to which allusion has been made above, contemplated and probably secured an export trade in some coarse woollen goods of English origin. But the pains taken in the treaty to procure a sole market, furnish to my mind a very convincing proof that without this advantage the market would have been small and doubtful. And, of course, the stipulation itself is evidence that the exports would be of a low quality, because the object was to supply the Portuguese peasantry with English goods. Nor is there reason to believe that the trade of the East India Company was a vent for English manufactures. The produce of India was chiefly procured by exports of silver, and the earliest efforts of the company were directed towards a relaxation of the English currency laws in their favour, and the permission was granted, on a plea, so characteristic of the theories which were popular at the time, that the resale of Indian produce would bring far more silver into the country than the purchase necessarily carried out. Besides, as soon as India began to pay tribute the exports and imports of silver began to balance each other.

The beginning of the trade in English manufactures is to be found in the trade relations between this country and the American Plantations, and it may be strange for you to hear that the most important factors in that trade were tobacco and rice, the former much more significant than the latter. The practice of smoking became very general in the seventeenth century. By a standing rule of the House of Commons, and one among the earliest, members are forbidden to smoke in the House or its lobbies, and the rule is reverently obeyed. I am not sure whether a similar rule has been enacted by the Lords. It certainly was not in that assembly at the beginning of the eighteenth century, if Hearne is to be trusted, when he tells us that on one of those recurrent occasions when the High Church Tories moved that the Church

was in danger, Bishop Bull not only refused to vote, but sat smoking in the lobby while his brethren were asserting or denying the motion by their votes. Tobacco was generally cultivated in England during the time of Charles I. and the Commonwealth, but forbidden at the Restoration under heavy penalties.

Before the Virginia tobacco came into the English market, and after the prohibition, the source of supply was Spanish America. The first note which I have made of it was in 1652. It was dear, and grew dearer, rising from 7s. to 1*l*. s. a pound, of course including the customs duty. The first entry which I have made of Virginia tobacco is in 1684, when it was bought at 1*l*. and 1*l*. 8*d*. the lb. Pipes are often bought for guests in large quantities by the Oxford and Cambridge colleges and the Eton fellows. Now, not only was Virginia tobacco much cheaper, but, according to the taste of the time, much better than Spanish. In a short time it became an important part of colonial merchandize, and early in the eighteenth century the colony supplied nearly all smokers with the plant. You may see allusions to it in popular novels. There is, for example, a great deal of tobacco in "Robinson Crusoe." As time went on it becomes cheaper, and tobacco is constantly quoted in the price lists of the early eighteenth century at from 4*d*. to 8*d*. a pound, according to quality, all being plantation. The same facts in a minor degree apply to rice. It was believed that rice was the healthiest kind of grain that could be used on ship-board, and it was procured for that and other objects from Northern Italy, particularly along the valley of the Po. But a new supply, more copious, of better quality, and cheaper, came from Carolina, and the market for this was of course in English hands.

Even if the scanty and scattered inhabitants of the English Plantations in America had been informed of the abundant mineral treasures possessed by that continent, they were not in the condition to work them. The population of the Plantations was littoral, and the minerals of this American continent are some hundreds of miles inland. Besides, the inevitable occupation of a new body of settlers is agriculture, and when the climate of a country is peculiarly favourable to the prosecution of certain

kinds of agriculture the impulse to such pursuits is made stronger. Manufactures cannot be easily carried on in a new country. The capital of such a country is scanty ; its market narrow and precarious. To obtain such produce as it wants, it is cheaper, more obvious, more convenient, to procure them from another country ; and when the colony was producing an agricultural article for which the demand was increasing, the readiest road to wealth was in the culture of that in which it possessed unquestionable advantages. The gentry of Virginia grew rich from their tobacco plantations, and were glad enough to confine their attentions to so lucrative a pursuit. Even if the colonial system, which Adam Smith attacked with such conclusive vigour, had not been in existence, Great Britain was the natural market for colonial produce, and the Plantations the natural purchasers of British goods. And a conclusive proof of what I say is furnished by the fact, that after the War of Independence, a war carried on with great bitterness, and in the most irritating manner, to the surprise of all, the volume of trade between Great Britain and her old colonies greatly increased.

The dream of the eighteenth century was a sole market for British goods and British trade. The fiscal policy of this country was dominated by this idea, so was its colonial policy, so as far as possible was its diplomacy. The wars we waged up to the peace of Ryswick and the treaty of Utrecht were dynastic in form, commercial in fact. That war of cross purposes and apparently motiveless campaigns, the war of the Austrian Succession, is intelligible only in the light of the motive of all British statesmen, the acquisition of a sole market. The South Sea Bubble was fed and swoln on the prospect of securing a sole market in the American continent from the St. Lawrence to the La Plata. The dream again occupied the minds of British traders more than a century later, and the disasters of 1825 were due to the belief that the liberation of the Spanish Colonies was the signal to an enormous trade with the states of Central and Southern America. So ignorant and so hopeful was mercantile adventure then, that I have read of the shipment of a cargo of hearthrugs to Central America. When the skipper found that the article, owing to the climate, was unsaleable, he assured his possible

customers that a hearthrug under a saddle, was the newest fashion with European equestrians, and so contrived to get rid of his goods. But such ready wit, such opportunities, and such credulity, are exceptional.

England had the field before it which Portugal and Spain occupied in part. It may be doubted, had England been enterprising enough, as it certainly was strong and skilful enough, to search after the New World, and to essay the Cape Passage, whether the Bulls of Borgia would have been strong enough to deter her merchants. Such at least was not her reputation before the Reformation, and after the rupture with the Pope no scruples would have held her back. But for a hundred years, from the battle of Bosworth to the days of Drake, a strange languor came over commercial England. The people who guess at history, especially that which can only be interpreted from economical facts, and their name is legion, set this down to the desolating wars of succession in the fifteenth century. I am persuaded, from a somewhat careful study of English social history during this period, that there is hardly a time in which industrial England was more prosperous than during the period when the partisans of the nobles and the disbanded soldiers of the French war were slaying each other. It was a long duel between the idlers and the adventurers of both sides, in which the partisans wore each other out, and the workers were entirely unconcerned and indifferent. During the mean and rapacious reign of Henry VII. the country still prospered; during the wanton and rapacious reign of his execrable son, it sank to a powerless state in Europe, though I do not find that any but a few, such as Latimer was, detected the cause of this deplorable retrogression. As soon however as England recovered in a measure from the injuries which Henry inflicted on her the old spirit revived, and Drake became the founder of a new school of mariners.

Nothing, I must inform you again, changed the face of Europe and the fortunes of the Mediterranean cities, including those of the Rhine, the Danube, and certain of the Flemish towns, so much as the conquest of Egypt did by Sélim I. Historians are of course completely ignorant of anything but the fact. This event entirely destroyed commerce with the East, of which the centre

was, and had been for two centuries at least, the city of Alexandria; and it was early in time, and that a time long deferred, that it was restored by means of the Cape Passage. But it was more than a century after the discovery of this route, that English traders essayed it, and then with infinitely less resources than the Dutch had. Englishmen still believed in the Levant and Turkey trade, which the Ottomans tried clumsily and unsuccessfully to restore. The trade was a failure from the beginning. Elizabeth patronized it, granted it privileges, and lost money over her well-meaning attempt. For it is much more easy to destroy a trade than to revive it, and the Turk has been good for little else than destruction. No doubt the early trade with Hindostan was lucrative. It yielded a considerable profit to those who took part in it, but its volume till the latter part of the seventeenth century was inconsiderable, and even then was trifling beside that of the New Company which Montague founded by Act of Parliament in 1698. A glance at the prices of the New Company's stock—I have printed the facts in the sixth volume of my "History of Prices"—will prove what I say.

The most prosperous trade which eighteenth-century England had was with the Plantations in North America. The South Sea trade turned out so ill, that at last the Company, founded in the first place to carry it on, and a successful scheme of Hastings in 1711, successful only because from the beginning a delusion was fostered, petitioned Parliament to be relieved of it. But the Plantation trade, although controlled to all appearance by the Colonial system, which is described by Adam Smith, was constantly and progressively prosperous. It was not in the hands of a company. The acquisitions of Great Britain in the New World, with the exception of New York, which was easily occupied, were colonies of settlement and not of conquest. Trade with them was therefore spontaneous and natural. It is true that the trade was regulated in the interest of the British producer and trader, and entirely from the point of view of a sole market. But the regulation was, I am persuaded, futile and superfluous. Had the Colonial system never existed, I do not believe that the volume of trade between England and her plantations would have been lessened. The restraint was on paper only. It is true that American manu-

facturer were discouraged, or even prohibited in the interests of British industry. But it may be doubted whether they would have been undertaken, if the colonists had been allowed the freest action. The primary, and for the matter of that the enduring, industries on the Atlantic seaboard, are agriculture and the fisheries. I am aware that before the rupture with the Colonies in 1772, there were grievances arising out of the Colonial system. I cannot object to the criticism which Adam Smith utters about that system. But I am sure that the grievances were sentimental rather than solid, and foolish as the legislation was, it happened to lie for once on the lines of reciprocal self-interest, and would never by itself have been made the subject of quarrel.

But I must say a little more in detail about the theory of a sole market, which was not indeed a peculiarly English delusion. The Spaniards and Portuguese held to it tenaciously. Their rivals, the Dutch, willing as they were even to trade with their enemies, were exclusive in the narrowest sense in the countries where they had authority and influence. The French were as keen after it as any of their neighbours, for the Mississippi scheme and the attempt to create an Indian Empire, which was foiled by Clive and his successors, had this object before them. In the first half of the eighteenth century, even Austria attempted the same grand design by the Ostend Company. In our own days, the French are trying to achieve the result in Madagascar and Tonquin, the North Germans in Zanzibar, Samoa, and New Guinea, though with results which are far from encouraging. It was a universal opinion in the eighteenth century, and for no small part of the nineteenth, that trade could be effectually created by conquest; and the foolish and disastrous fallacy, that private advantage is the public good, and should be sought for by public sacrifices and losses, was the general belief of those people who have been called, I would fain hope cynically, "men of light and leading," or "sovereigns and statesmen."

"The war of the English Succession, which came to an end with the peace of Ryswick, is only slightly connected with the doctrine of the sole market. But it developed and rendered traditional the instrument by which that result could be best obtained, England's supremacy on sea. The unbusiness with which the treaty of

Utrecht was received, a treaty in which everything seemed to be sacrificed and nothing gained by England, was a little lightened by the concession of the Assiento treaty, and the extravagant hopes which it excited. During the long peace which followed, broken only and that briefly, by the strange war with Spain, the same object was before the public or at least before those who undertook public business. I have referred already to the war of the Austrian Succession. The policy of the Seven Years' War was to destroy France as a colonizing and a commercial country, and to transfer to British trade the markets of the New World and supremacy in India. As far as this object went, it was completely successful, and in accordance with the lights of the time put England entirely, and, as was fondly believed, permanently in possession of the great aim of commerce. The war of American Independence, unwise as was the commencement, and still more unwise as was the conduct of the war, was a desperate attempt to maintain that sole market which it was the interest and the purpose of every European state to invade, for which the armed neutrality was devised by Russia and adopted by other European powers. With the same object were connected the right of search, and the doctrine, passionately insisted on by English jurists and statesmen, that a maritime power had the right to follow enemies' goods in the vessels of neutral powers. The acquisition of a sole market was a much more enduring object with English public men in the eighteenth century than the maintenance of the balance of power, which was really a cloak for the ulterior end.

And yet the economist who studies the social and industrial history of the time is constrained to conclude, however mistaken and in the end disastrous this *ignis fatuus* was, that it had not a little to do with the development of commercial activity and manufacturing skill in England. The first result of movement was, that the Government was constrained to root out that spirit of buccaneering or piracy, which in the early days of maritime enterprise was almost considered heroism, and if one can judge from novels, remained an object of interest long after the practice had been put down. The next was, that apparently under restrictive laws, passed and adapted to these ends, a real trade of mutual benefit was carried on with the Plantations. The Colonial

system may not have contributed to this trade at all. It was developed, continued, enlarged in spite of it. But I believe that it gave confidence to the initiative, no small matter in commercial and manufacturing ventures, however little the system deserved the confidence. Enterprise is naturally aided by the conviction that a market is secured, and it seemed that the policy of England had secured the market. All along the seaboard from the St. Lawrence to the borders of Florida, after the Seven Years' War there was a rapidly growing people whose duty it was to take English goods, whose interest it was to ship colonial produce to English markets. They would perhaps have taken them without the Colonial system, but by this system the reciprocity of trade was guaranteed. The market was extended by the prosperity of the sugar colonies, whose produce became very soon nearly as important as the tobacco plantations were, and from which, as you should be told, Europe was supplied till the utilization of beet products during the Continental War. Nor will you probably be slow to realize that the semblance of a force is nearly as efficient to most minds as the reality of a force.

That the Colonial and sole-market theory was after all an economical delusion, and was proved to be by the remarkably rapid extension of English manufactures and commerce after the system was entirely exploded, is not in my opinion inconsistent with what I have said as to the force of these stimulants in the initiative. It is not given to every one to detect an economic fallacy. During the eighteenth century agriculture was assisted, as far as the intentions of Parliament went, with a bounty, and protective laws against imports. But the protective laws were entirely inoperative. Except for the two years 1709, 1710, the price of wheat during the first sixty years of the century was 30 per cent. below the average of what it had been in the seventeenth century, in many years not half the price. The bounty really stimulated the production of grain, for it was a premium on its export, and many more people thought they would get it than did get it; for it was a genuine lottery, in which as you know every one is apt to conclude that his good luck will be better than that of his neighbour, just as shrewd bookmakers know that men who back their favourites invariably overrate their own judgment, and

mistake their fancies for realities. But Arthur Young, shrewd observer and competent agriculturist as he was, imagined that the bounty and the Corn Laws were the mainstay of British agriculture. Now it is quite possible that the bounty, which was probably an unmixed evil, did act in some degree as a stimulus to invention. But what gave its character to the agriculture of the eighteenth century was the general spirit of enterprise among landowners. It was by no means easy to increase rents, for the farmers as a rule were not inclined to venture on new and doubtful experiments. But it was easy to increase profits by undertaking the cultivation of land with abundant capital, with a sturdy resolution to be deterred from no reasonable experiment, and, it must be added, by the spectacle of the marked success which had attended the new husbandry in Belgium and Holland. Men do and will mistake concomitants for causes, say what one may, especially when the legislature avers that what it does are and must be causes.

When the English manufacturer and merchant had once got into the world's markets, he was certain not to relinquish his hold without a struggle, and as certain to assist his energies by labour-saving inventions. He rapidly found out when in his case the old theory was overthrown, that the only way to keep what he had acquired, was by quality, cheapness, and convenience. The popularity of British goods, even during the Continental War, and the continuance of the Berlin and Milan decrees was maintained, and to a considerable extent assisted by the fact that the supremacy of this country by sea made the United Kingdom in reality the only source of supply. But it is also certain that from the third quarter of the eighteenth century onwards, the inventiveness of British mechanicians and manufactures was in singular contrast to their characteristics in a previous age. They were threatened with rivalry in a field which they had created, no matter how, and they retained their superiority by incessant improvements in the process of production. I have my own opinion about the policy of Pitt in rushing into the Continental War. I cannot but condemn in the strongest way, the fiscal expedient which he adopted in order to provide the charges of the war; but I am strongly convinced that the war which raged during that terrible period from Gibraltar to Moscow, precluded all competition against

England throughout the Continent. It was in possession of the market, and everything conspired together to make that market secure. At last, shortly after peace was proclaimed, the tardy wisdom of Parliament liberated the industries of this country from taxes on raw material, and its staple manufactures from excises on the produce. But in my next lecture, I shall have to point out to you how serious were the difficulties which the fiscal policy of Pitt and his successors put on British industry, and how vigorous were the efforts made to compensate for their inevitable consequences.

There is no period in European history, certainly none within the last three hundred years in which Europe was in a state of more complete prostration than it was after the final defeat of Napoleon and the French in 1815. It is true that Germany was more wasted at the peace of Westphalia, near two centuries before, than it was during the great Continental War. But Germany suffered more than any other part of Europe during this war, for it was the design of the first Napoleon to permanently weaken the whole Teutonic race. Now it is very difficult for a country which has been entirely impoverished by war, to make progress in the arts of peace. Even under the most entire reversal of the old system, the process would be slow and disappointing, but the memories of that terrible time lie deep in German minds, and the only escape from their repetition appeared to be militarism. More recent events have not reassured European countries. The utterly unprovoked war of 1870, in which whatever may be said for past events in her history, Prussia and Northern Germany were entirely on the defensive, has not mended the situation. The energies of the country are wasted on gigantic armaments. It is possible that no price can be dear for security, but the price may extinguish industrial progress. And added to this Germany is every year more involved in protective schemes. Every interest which can succeed in imposing on German Parliaments and statesmen is engaged in plundering the public. It is very possible that the exigencies of the national defence may make the Government the ready recipients of whatever fiscal revenues may be offered them. The same facts apply to other European countries. Industry is cramped, distorted, and made ignorant. The masses

of the people are impoverished and turn angrily on the Government, because they are led to consider that as everything is done by Government, it is responsible for the evil as well as for the good. Practical wisdom induces prudent men to circumscribe the forces of government as far as possible, to invoke them as rarely as possible, and it is marvellous to see how slow Governments are in arriving at the same conclusion.

We English people are now ostensibly at least engaged in an industrial competition with the whole civilized world, for, as I have told you, however hampered a community may be in its power of purchase, it is always allowed to sell if it can, and is always desirous of selling. I am quite aware that some countries are much given to creating and selling securities or public debts, and that we in the United Kingdom have greatly assisted them, though not always wisely, in the distribution of these debts. I mention this because some peculiarly ignorant or deceitful people are trying to persuade our countrymen that they are going to ruin, because our debtors are paying the interest on their debts. But beyond doubt, all European nations, and some in other parts of the world, are willing to compete against us if they can only get the chance. Now it may be worth while to take stock, as merchants say, of our present position, to see what it depends on, and to what extent it has the elements of continuance and progress.

First for our fiscal policy. We have put ourselves, and all those of our colonies and dependencies in which the central government has authority, on the same level with our neighbours, however hostile their tariff may be to us, on which subject I shall have to speak presently. We therefore submit our trade, as far as foreign competition is concerned, to the entirely unimpeded rivalry of the foreign producer and trader. Every effort is made by most European and some Transatlantic Governments to exclude British goods from the use of the people whose affairs these Governments administer, and except for the purpose of fraudulent imitation (a vice which is peculiarly characteristic of the North German race), the administration of these several communities would gladly effect their wholesale prohibition; we allow (except recently under the Act which prohibits imports which have

false marks of origin and forgeries of the signatures and trade marks of British manufacturers) the German, French, American, or any other people to freely import their goods into Great Britain, subject only to certain fiscal charges, to countervail which we levy identical excises on similar British manufactures. We do the same in India and the Crown Colonies. We ask for no favour from those of our Colonies which are possessed of the power of arranging their own taxation, and we get no favour, though certain of the Colonies have pressed us for differential duties on their own products. Some of our people have affected a virtuous indignation at bounties given on certain products, and are foolishly or ignorantly trying to discover some process by which they can prevent foreigners selling us goods at lower rates than we believe some of these people believe that they can afford to make them. But it could easily be shown, as indeed might be expected, that the bounty-fed producer abroad is a good deal worse off than the bounty-threatened producer at home. Our allegiance to our principles is so absolute, that even they who dispute this wisdom and success are perpetually appealing to these principles in support of their desire to deviate from them. We have almost, if not quite, succeeded in making Great Britain a free port for the civilized world, and as a consequence, no trivial or unimportant result, we fix the market price for nearly every product of human industry, for we have excluded every element of cost from imports, except that of warehouse room, which is of course a universal necessity.

Our contention is that our free-trade policy enables us to arrive at the most accurate estimate possible of our own powers. We do not plant olive or orange groves or vineyards in our climate, for we know that they will not thrive or will not live. No doubt they might be grown in greenhouses. But we are not so foolish as to put such a duty on the foreign produce of olives, oranges, and grapes, as to encourage native industry in growing them under these adverse and costly conditions, as a consistent protectionist or fair trader would have us do. For it is only a matter of degree between the most plausible protection and the most grotesque illustration of the practice. We do not think it right that the people should starve in order that a stupid and servile

farmer may pay a rent which he has not the wit to see that his land will not bear, or the manliness to resist if he does happen to see it. The consequence of our fiscal policy is that we see what we can do best, and having found out what we can do best, we are at the pains to add improvements to it according to our ability. For it stands to reason that if the State secures a market and a price for the producer of an article in universal demand—it is no use protecting what people will take or leave as they like—the State at once takes away all motive for improvement. Thirty years ago and more, the American people were noted for the invention of labour-saving machines. The faculty is by no means extinct, but it has been notoriously discouraged, and is no way so prolific as it used to be. Nor do we retaliate, for we know that though other nations may harm our trade we shall do ourselves no good by harming theirs. We have come to the conclusion that a State does not become a better neighbour by being impoverished, it may be by its own act, still less by ours, because people may be blinded by ignorance or be made the dupes of sophistry, but every one understands and resents an international wrong, however much his own conduct may have provoked it. If we were to prohibit the goods of those countries which refuse to admit ours, or put serious hindrances on their importation, we should very likely be doing what is entirely futile in the same class of goods, for it would be very absurd to think that goods which require protection in the home market could come into rivalry with the same goods in a foreign market, and it would be mischievous in the case of materials for manufacture, because it is to be presumed that we go to a particular country, because we get these materials at a cheaper rate or of better quality, while the adoption of the precious policy of retaliation would supply us with materials at a dearer rate or of an inferior quality. And the proof of what I have said is to be found in the fact that the import of articles in which Great Britain is admitted to be well in advance, is too trivial for enumeration or classification. The British Government has, I believe, imported Teutonic swords and Teutonic bayonets, which have been found to be rather less valuable than Teutonic metaphysics. But though it seems that our soldiers have lost their lives out of this luckless venture, it

does not seem possible to bring the offence home to the official culprits who have speculated in the rubbish.

I am convinced that the only condition under which foreign trade may be successfully carried on is that of working on free-trade principles. Before the tariff reforms of Sir Robert Peel were carried out, the volume of exports and imports did not equal or exceed a month's present business, British shipping was not a tenth of what it now is, business was stationary, and the revenue inelastic or declining. We have now the simplest tariff in the civilized world. The volume of our trade is larger in extent and more varied in character than that of any other nation; the shipping of Great Britain carries two-thirds of all the goods sent out from various countries, and grows, it may be presumed, because we can perform the service better and more cheaply than other nations can. We are withal able, constantly, to overleap the boundaries of national and artificial protection; the former being the cost of freight, and the power of interpreting the market which comes from proximity to it; the other, the present which Government makes out of the pockets of consumers, to persistent and greedy clamour, to interested sophists, or to some scheme of grandmotherly assistance.

I do not deny that British manufacture and trade are hindered by the protective tariffs of other countries. The law allows the subject of it to buy one pair of boots where he might buy two pairs, and stints him in many ways. He is not, therefore, so good a customer as he could be if he were left to his own discretion. Besides, the advantages of trade are to the mass of people, and the disadvantage of a protective tariff also fall on the mass. It may not signify to the rich man that he is called upon to pay 50 per cent more for his sugar or his clothing than he would be if the markets were open. But it signifies a good deal to a poor man, whose margin over necessities is narrow, and is likely to get narrower as population increases and demand becomes wider. Besides, as every one knows, it is much more easy to smuggle broadcloth goods than it is to smuggle frieze goods, and the weavers of broadcloth knowing it, act upon it with alacrity and confidence. But though it is true that the fiscal regulations of foreign and colonial states do harm to British manufacture and

trade because they still demand, and though it is certain, that a relaxation of existing laws would give an impulse to British industry and commerce, it does not follow that the advantage would be lasting. It is quite possible that many of them, if they resolved on relying on natural protection only, might speedily find that they could supply the greater part of their own home-market themselves. As it is the great difficulties in the way of this consummation is self-imposed protection. Many of my American friends have alleged that we English people are free traders for ourselves, and much more for them, because we want to get a wider market for our goods ; and I have always answered that I very much doubt whether the market would be more than temporary, - a consideration in the policy of nations, however little it may be in that of individuals : whereas, the intention of protection may narrow our market in the States a little, but renders that market permanent, since it inflicts a permanent disability on their rivalry.

I am quite alive to the geographical and climatical advantages which Great Britain possesses, in its equable climate, in its varied mineral resources, and in its singular accessibility for all products. I have mentioned before that, two centuries ago, Bishop Burnett declared that it would become and remain the best country in the world for textile fabrics, and what was then confidently said, when the collection of observed physical facts was scanty, is true now that the collection of these facts has become almost overwhelmingly abundant. But I need hardly remind you of what you will find in the manuals of geography which form an elementary study in physics, though it is singular that even in a progressive country great local advantages may be neglected. Nothing has struck me more than the merits of the harbour at Milford Haven. It is capable of taking, and seems destined to take, the traffic of the world, just as the harbour of Brest, not unlike it in formation, seems capable. Now what I say now, was said four and a half centuries ago by the author of the "Libel of English Policy." But incomparably inferior harbours, such as those of Bristol and Liverpool, inferior because they are tidal, have become the sources and centres of great commercial prosperity.

More remarkable and more noteworthy, however, is the decline of cities and localities. In the last quarter of the four-

teenth century, Bristol had become the second port in England after London. The next was Plymouth, and both these ports are still flourishing. But the third was King's Lynn. I am drawing my estimate from the taxable population in 1377. Next came Colchester; but Hull and Southampton were quite small. No doubt the changes are to be explained by the character of the trade then carried on. There is not a single port besides Bristol which is named on the western coast. More notable still is the effect induced by bad government. In 1657, when Cromwell ordered an assessment for Scotland and Ireland, the assessment of Dublin city was more than twice as high as that of Edinburgh, the only Scotch town which paid as much as three figures. Glasgow, now the second city in the United Kingdom, was then less wealthy than Dundee, and the taxation of each was not much more than a hundredth part of the London payment. But even after the union of the two crowns, Scotland made progress. The progress was rapid indeed after the union of 1706, for the Scottish Parliament laid the basis of their negotiations in the absolute equality of the two nations, and in the maintenance of Scottish nationality in the Church and the Courts of Law. Scotland claimed and obtained entire freedom of manufacture and trade. But from the Restoration onwards, much more after the Revolution and the Treaty of Limerick, it was the policy of the British Parliament to destroy the manufactures and trade of Ireland with the exception of the Ulster linen factories, which owed their existence or first development to Strafford. Now what has been destroyed has never been revived, though the natural advantages of Ireland as a home for textile industries are as great as those of England. In point of fact, the fitness of Ireland for competition with England in the woollen manufacture and trade was made the plea for destroying its industry.

I once asked a friend of mine, the late Mr. Samuel Morley—my intimacy with him justified so personal a question—to what he ascribed the remarkable commercial success which attended the business of which he was the head, in its competition with other traders. I was a good deal struck with his answer. He said that apart from attention to his calling and the necessary method in so vast a business, which he said were shared to the full by others

who were engaged in the same trade, he could think of nothing beyond the fact that any bale of goods which went from his house, and was duly identified as packed in his warehouses, would be taken all the world over without opening and sampling. This illustrates another important condition of successful competition, the reputation of unblemished and irreproachable good faith. Competence in determining the value of goods is, I presume, a common acquirements of merchants. It would be well if one were convinced that commercial integrity were as common and unquestionable, if it were not necessary to build up a reputation for honesty by a process as laborious and as prolonged as that of founding a business. For the temptation to impose on the unwary may be there, and persons may flatter themselves that for a time they may escape detection; but the discovery of malpractices is dangerous. Some years ago, I heard that a fraud in the manufacture of brass rods for the African trade—my informant could only guess at the uses to which the rods were put—was detected in the case of one manufacturer, and that the discovery led to the destruction of his trade and that of all others who were engaged in it, and had committed no fraud. Illustrations of the kind may be multiplied. I once heard of a Birmingham quaker who manufactured guns for the African trade. As there was no proof made of cheap guns at that time, this adventurous manufacturer made the barrels of inferior metal, in fact, I was told, of gas-piping, and when remonstrance was made to him of the dangerous character of his wares, he defended himself on the ground that he put no touch-holes to them. I do not know whether he ever effected two shipments of such rubbish, but the Government very properly interposed, and ordered that all barrels, without exception, should be proved.

Some persons have defended adulteration on the ground that the public likes cheap goods. It may be they do, but I am convinced that the public likes genuine goods more. But, in fact, fraud and adulteration are the bane of honest competition. The cheapness which comes from improvement in the product, and the result of economy in the process, is not only legitimate, but in the end beneficent, if good faith is kept. If it is not kept, innocent persons are injured by the action of the guilty. It is said that at one time the genuine trade of Manchester was seriously imperilled

in consequence of a practice adopted by some firms of heavily sizing cotton goods with flour and whiting. Silk will bear an enormous amount of adulteration and, its fabric remaining to all appearance the same, be weighted with adventitious substances to sixfold its original quantity. It is alleged, and I have not heard it contradicted, that this seductive process has seriously injured the silk manufacture of Lyons. The Sheffield cutlers insisted on a remedy against German imitations of their goods, and the fraudulent marking of eminent manufacturer's names on the articles, with the addition of Sheffield make, not because of the loss which fell upon them by being supplanted, but because the reputation of the whole district was endangered by the action.

In brief, then, if industrial communities first learn, by the only way in which they can learn, in what they can excel, if they resolutely resist every insidious proposal which, affecting to assist, will really cramp their energies and damp their enterprise, if ever they make it their business to discover where demand and supply may be best adjusted ; if they do as much of their work themselves as they can, and avoid the multiplication of intermediaries, and if they are resolved, cost what it may in delay, to maintain their reputation for probity, the home trade of every country need fear no disaster in international competition. Errors may be made, no doubt, but the obvious palliative of an error is to correct it for the future. It is by these plain rules of action that British manufacture and trade has been extended and is extending, and it is by the maintenance of these rules that it will be secured and enlarged in the future.

XI.

ECONOMIC LEGISLATION, 1815-41.

Taxes to maintain the Continental War—The land tax—The tax on succession duties—The income tax—The inhabited house tax—Taxes on trades and professions—Taxes on consumables—Taxes on raw materials—The Merchants' Petition—The new departure—Canning—Sir Henry Parnell—Reduction of the taxes on raw material—Lord Monteagle—Rowland Hill and the Post Office—The beginning of the Anti-Corn Law agitation—Sir Robert Peel.

OTHER wars have been as long as that which this country waged with France between 1793 and 1815, but none have been so costly, none more desperate, none in which all maxims of financial justice and financial wisdom were more thoroughly cast aside. It had one characteristic, which has always been dwelt upon by those who have eulogised the men who promoted and waged it, a characteristic which is by no means without parallel, for it has been exhibited more than once before, the resolution of those who administered the affairs of the British nation. For the six years which intervened between Jena and Moscow, the British continued their struggle almost single-handed with France and her armies, which were recruited from the whole of Napoleon's conquests. During this period, as indeed before and after, English statesmen freely lavished the money and blood of the people, for it was a notable fact that the greater part of the taxes and loans raised were contributed by the workers, and that the landed

interest steadily refused to make equivalent sacrifices from their own resources, which increased enormously during the time, for rents were trebled during the great French war, the recipients of those refusing to allow the taxation of their estates, though they freely gave those up to the tax-gatherer which had been accumulated by the industrial classes. In order to assist this financial plunder the State, through its ministers, inflicted on the people the additional injury of a forced and depreciated paper currency, attempted to deny and next to explain away the consequences of its action, but took care in the payment of its officials to give a practical refutation to its allegations in Parliament. Many of the mischiefs which were produced during that disastrous period still survive in their effects, the debt, the habits of official extravagance and excessive remuneration for public service, an administration of public affairs which is costly beyond parallel, and inefficient, one would have thought, beyond patience.

It is open to grave question whether the war of 1793, whatever may be the defence of its continuance, was not entirely unprovoked and gratuitous. Just a hundred years ago the rulers of France, aghast at the consequences of their own misgovernment, assembled, amid the approval of all wise and humane people, the *tiers état*, with a view of putting before this ancient and nearly forgotten Parliament the affairs of the kingdom. No one, I think, at the present time, doubts that the king and his advisers in taking this step hoped to arrive at a peaceful, though it might be a laborious, solution of the existing trouble. All classes it seems were willing to make sacrifices for the common end. The reasonings of Rousseau, the scepticism of the French savants, directed against many more social customs than were attacked elsewhere, and the spectacle of transatlantic freedom, predisposed all sections of society in favour of this new departure. Arthur Young, who was travelling in France during this eventful year, and has left what is on the whole the most graphic picture of the French capital and provinces during the summer and autumn of 1789, bears witness to the eagerness with which the gathering in Paris was welcomed. Even after the commons had quarrelled with the nobles and the clergy, and taking all affairs of State into their own hands, extinguished at a stroke the whole

feudal system ; even after the attack on the chateaux began, and the people rose against their old oppressors, sympathy with those who were rendered homeless and were impoverished by the winter risings was largely diluted by the satisfaction men felt at the total destruction of the ancient system. Many people in England, and those in quarters where one would least expect it, sympathized for a time, at least, with the insurgents. The friends of the people had allies and supporters in such men as the Duke of Richmond, Lord Stanhope, and Lord Orford, while not a few other members of the British aristocracy called themselves citizens, and affected republican principles and republican equality. Pitt, who had recently to his credit negotiated a very comprehensive treaty of commerce with France, might well have wished to see the result of this departure in commercial diplomacy.

All experience shows that a nation which has long been deprived of popular and representative institutions is exceedingly apt to misunderstand, misuse, and strain the powers which are suddenly put into their hands. The National Assembly of France was entirely unused to parliamentary action, and was sure to commit grave errors. The chaos which followed on the independence of the bureaucratically governed colonies of Spanish America is hardly reduced to order yet, after an interval of more than sixty years. The early parliamentary history of Greece is not satisfactory. No man in his senses would think of suddenly conferring representative institutions on India and China, great as is the material progress and educational intelligence which has been made in our Eastern dependency. The French assembly was sure to do many unwise and premature things, even if it had been left by the indifference of Europe to work out its own problems in profound peace. It was certain to depress and then to despoil the nobles and the clergy, though for a time, while it proclaimed war against the monastic orders, it was disposed to recognize allies in the parish priests. But very soon came an attempt at intervention, and what appears to be a characteristic of the French people, an overmastering suspicion of domestic treachery. If the founders of the French Revolution had done or attempted only a part of what they undertook, and had proceeded slowly and cautiously, they would in the end have done what had to be done far more effectually.

As the French Revolution was the natural outcome of the War of American Independence, so from the very beginning the progress of the French Revolution excited the most uneasy feelings among the hereditary monarchs of Europe. The French propaganda, on the one hand, was everywhere, and so were soon the *émigrés* or voluntary exiles, and the dispossessed priests. These two parties were counselling foreign intervention and domestic insurrection. The headquarters of the *émigrés* was at Coblenz. The clergy were fomenting disturbances in those parts of France which remained devoted to the old religion. Soon came the declaration of Pilnitz and the proclamation of war against Austria. The declaration does not indeed threaten war, but it made war inevitable.

It is very difficult to know what was the mind of Pitt at the time. I should certainly never take it from his eulogists. I can well understand that he desired peace, for after the singularly exhausting war with the American colonies he knew well enough that the country needed it. But it appears, from sources which have recently come to light, that he intrigued with the *émigrés* and the clergy, and fomented insurrections in Normandy and Brittany by money secretly supplied. So I do not doubt that Pitt desired parliamentary reform, but his action rather postponed than assisted that necessary change. Again, it seems that he sincerely wished to bring about Catholic Emancipation, but his subsequent attitude made the concession of it remote, difficult, and only the escape from a serious danger. But Pitt was a public man of all-devouring ambition. He was practically minister for twenty-two years consecutively, for Addington was a puppet whose strings he pulled. But there was one thing which might bring his power to a sudden end. If he lost the king's favour, or the king lost his own wits, his position would be perilous. His attitude on the Régency question had cost him the favour of the Prince of Wales, and he had no mind to fall like Walpole. We do not indeed as yet know the secret history of that time, for access is still denied to those national archives which contain that history. We had, beyond a general interest in monarchical institutions, none of those impulses which stirred hereditary and legitimate sovereigns. The King of England was a parliamentary sovereign,

without a tittle of hereditary right. We had set aside a dozen families and chosen a German prince, who was most remotely descended from the royal state. The family alliances of our sovereigns had in the main been with the small German princelets of the Lutheran persuasion. Leopold had some reason in taking up the cause of his sister and brother-in-law. We had no such motive. Our policy was to let France alone, just as France let England alone, when she made war on, deposed, and executed her king. It seems to me impossible to doubt that if France had been let alone, and all interference in her domestic affairs discouraged or prohibited, the fire of revolution would have speedily burnt itself out. I conclude that we owe, as far as England is concerned, our intervention in French affairs and the twenty-two years' war to the obstinacy of George the Third, yielded to with culpable cowardice, just as we owed the war of American Independence to the same obstinacy, and to the same irrational and unconstitutional deference.

Whatever may have been the merits of the cause which he undertook, Pitt was a most unlucky war minister. The policy of the British Government had entirely destroyed the ancient amity between England and Holland, and the first movement against France was led by that Duke of Brunswick who was even more detested by the Dutch than the stadtholder was. The army which Frederic the Great had formed was demoralized in the hands of his foolish successors, and Europe at the outbreak of hostilities appears to have been almost worn out. Pitt had to bribe these people with subsidies, and he might as well have kept the money for all the good they did with it. Within four years the heaven-born minister had to sanction a forced paper currency. Before he died France had overrun Italy, Flanders, Holland, and both banks of the Rhine. It is said that the minister died of the battle of Austerlitz. Next year came an even greater disaster, the humiliation of Prussia at Jena. On sea, indeed, Great Britain was supreme, and without a rival after the victories of Nelson.

Pitt and his successors, up to and after the conclusion of the great war, cast aside every principle of finance for the purpose of procuring funds for this war. Every necessary and every con-

venience of life was taxed. Raw materials, staple manufactures, the earnings of the living and the savings of the dead were visited by the tax-gatherer. I have heard from those who lived through those times, how serious was the struggle for existence during the epoch of that finance. The sufferings of those who lived by wages, who were crippled in all their expenditure, starved by the Corn Laws, and reduced to that bare subsistence, of which the infallible index is the rise and fall of wages with the rise and fall in the price of food, were the greatest; for, as Mr. Porter has accurately stated, the principal burden of the war taxes fell on the working classes, who were exempted from the income tax, solely because the rate of wages never reached the minimum of annual income which Pitt, Addington, and the rest were constrained to spare. Most of the precedents of Pitt's taxation were borrowed from the Dutch excises, levied during the War of Independence; but with this marked difference between the two countries, that Holland kept to the principles of free trade, even in forms which seem to us grotesque, for it gathered its funds from consumers only, and from internal sources, leaving the ports free, while Pitt burdened trade with oppressive customs, and manufacture with disastrous excises. The Dutch took toll on shoes, on clothing, on every article, in short, which the individual purchased for his personal consumption, but they were not idiotic enough to burden the trader in foreign produce or the manufacturer of home products with vexatious and ruinous hindrances on imports.

Pitt had made the land tax, under an assessment framed at a period of great difficulty, of universal suspicion, and of widespread disloyalty to the principles of the Revolution, and therefore grossly unfair and inequitable, a perpetual charge, merely to effect a financial operation in connection with the public debt, for the land tax had been imposed at the highest rate for years before this operation was attempted. He was, therefore, precluded or thought he was precluded, except indirectly in levying any additional tax on land, and this at a time when high prices, aided by war and the Corn Laws, rapidly trebled agricultural rents. As consumers, and as payers of income tax, the landowners had to undertake some share of the burden, a burden which they could easily bear, as the source of their income was increasing by

leaps and bounds. One of the reasons why so many of the larger yeomen, free and copyholders, disappeared after the war was over, was that their enormous gains habituated them to a scale of expense which they could neither endure nor abandon, after lower prices set in with peace. The great landowner paid a house tax it is true, but the rate at which their mansions were assessed was nominal, on the absurd plea of their letting value. And when Pitt proposed, if he was serious, and only proposed what he did to save appearances, that their land should contribute like personal property to probate and succession duties, they threatened to desert him in a crisis, when, according to their talk, the country was struggling for its existence, unless he dropped this entirely equitable tax. But the tax on succession in England is so curiously illustrative of how notable a part historical events and practices play in the life of Englishmen, that it may be worth while to give you a brief account of the origin of the system.

The courts of law had divided property into what they called real and personal, and had assigned every form of it to one of these two heads. Some of the distinctions were grotesque enough. One of the most precarious estates which we can conceive is land held for the life of another. One of the most-enduring imaginable is a lease, say for 500 or 1,000 years, held under a small, even a nominal quit rent, as was by no means uncommon, even in the Middle Ages, and for certain intelligible reasons. But the courts of law insisted on calling the former real estate, the latter personal, or in their phrase, "chattels real." Now the courts of law took cognizance of real estate. Indeed, till the reign of Henry VIII., the freeholder could not devise an estate of inheritance, and there is one estate of inheritance which he cannot devise even now. But in the case of personal property, the Church was allowed to intervene. It took cognizance of wills, and in cases of intestacy of all those goods which came under its purview, alleging that in the former case the will was proved—*probatum est*, and dividing the personal estate of intestates, according to the rules of the civil code, from which body of law, indeed, all the learning, as it is called, about wills is derived. You will remember that in these early times, masses for the dead were an almost

invariable obligation, and that to omit or disdain these offices on the part of a testator, or on the part of his representatives, if there were sufficient funds, was as distasteful to the sentiment of the age, as the neglect or omission of funeral solemnities would be now. There was a reason then, derived from the discipline of the Church, why ecclesiastics should supervise testamentary dispositions and intestate estates. Wills of personalty exist by thousands. I remember to have seen, years ago, a chest full of them in Hereford Cathedral, for they were consigned to the bishop's registry. Sometimes when an Englishman died abroad, say at the Papal court, where the barbarous rule of confiscating a stranger's goods did not prevail, a catalogue was made of his effects, a valuation given, and the account transmitted to the registry of the diocese whence he came, with an offer to send the price they fetched, or to take them at the valuation annexed, and transmit the proceeds. I have seen several such schedules from the court at Avignon in the fourteenth century. The probate was, therefore, a necessary solemnity, before the will was allowed to have validity; and as was customary, the seal of the diocese was annexed to the instrument. But, as I have said, real estate passed through no such hands.

Now, by the Statute of Frauds, a will accompanied by certain formalities, was required for all testamentary dispositions, some few exceptions being allowed. In the Stamp Act of 1694, a duty was imposed on this certificate of proof, small in amount, and invariable. During the American war, the duty was increased by an *ad valorem* charge on the amount of the estate of which proof was tendered. But the tax was practically limited to England. Probates and letters of administration were unknown in Scotland, and only after Pitt's day was it imposed in Scotland. Nor has it been imposed on real estate. It is entirely an impost on what the law calls personal property. By a singular provision, one which, beyond its manifest injustice, is one which betrays a remarkable lack of humour, a considerable part of the probate duty is handed over to the new county councils. Thus the estate of deceased owners of personal property, which does not need a road to give it value, is expended in keeping roads in repair for the benefit of landowners, who do not contribute any probate duty whatever.

The probate duty mulcted the collected estate, but a further tax was imposed on it in its distributive aspect, *i.e.*, when it became a legacy. North, during the American War, attempted to impose such a tax in the form of a duty on receipts given for legacies; but as the law did not require such receipts, the tax produced next to nothing. Pitt, in 1796, determined to impose a duty on collateral legatees, not on direct descendants, and, as I have said, put forward an abortive project of extending the tax to real estate. He raised the duties in 1804, and included direct descendants in 1805. No attempt was made to include real estate till 1853, when Mr. Gladstone contrived to procure a very trivial contribution, and that on very easy terms from the succession of real estate. In 1885 an attempt to still further extend this liability was defeated on a division, and the Government had to resign.

In 1815, the population of the United Kingdom was between 19 and 20 millions. The taxation was 74½ millions. The National Debt was 860 millions, and the annual charge was 32 millions. The people were no doubt exceedingly joyful at the final defeat of Napoleon and the humiliation of France; but they were staggering under the cost of the process. The war, too, and the circulation of inconvertible paper, had greatly raised all charges; and some of these charges, though justified at first for temporary reasons, became as the charges of government are apt to become, permanent. Of the revenue, about 25½ millions was what is technically, but very often inaccurately, called direct, and of this more than 14½ millions were derived from the 10 per cent. income tax. A little over 5 millions came from what Mr. Dowell calls eatables; 24½ millions from alcoholic fluids, tea, coffee, and tobacco; a little more than 6 millions from raw materials; a little over 4 millions from manufactures and 2¼ millions from stamps. Everything conceivable was taxed, and several minor sources of revenue brought the sum up, with the Irish contribution, to the amount which I have named. Some people, to be sure, had done very well by the war, but the general condition of the people was fairly described by Sydney Smith in one of his contributions to the *Edinburgh Review* of 1820. I am indebted for these facts to Mr. Dowell's "History of Taxation in

England," *i.e.*, the United Kingdom, in which work with great accuracy as to the special details before him, there are introduced some of the most amazingly incorrect statements as to social history in England which I have ever encountered. But mistakes in this branch of study exist in plenty, and I suppose always will. "Our grandfathers," said the late Lord Derby, "had something about which to grumble." I think they had, but they have to thank Lord Derby's grandfather and the rest of his associates for the occasion of the grumbling which was given them.

Pledges had been given that the 10 per cent. income tax should cease with the war. The war was over, and people demanded the redemption of the pledge, *i.e.*, the people who paid it, and especially the rich traders, fundholders, and landowners. The Government wanted to keep half of it, for, as the Duke of Wellington said, without some part of it, "it seemed impossible to keep up the necessary peace establishment," this peace establishment being now nearly as costly as North's war establishment. The House of Commons determined that it should go, even at the risk of losing the invaluable services of Mr. Vansittart, Lord Castlereagh, and the rest. Now they had no mind to sacrifice themselves to their principles. Lord Castlereagh made a kind of stand. He charged his critics with "an ignorant impatience of taxation," and he irritated them the more. Nor did he do away with the impression when he changed from rebuke to entreaty, and "besought the British nation not to turn its back upon itself." The most expert gymnast would find it difficult to achieve this feat. But Lord Castlereagh was an Irish landlord, who had caught up an Irish habit, along with his Irish rents. The income tax had to go, root and branch.

There was another war tax, the repeal or reduction of which the landed interest insisted. After the war was over, the price of food fell. This used to be called agricultural distress, and some people call it so still. The tax on malt was 4s. 5d. the bushel, having been, up to 1802, 1s. 0½d. Certain other war duties went with a moiety of the malt tax, and about 18 millions of revenue. But these remissions left the Treasury 56½ millions, of which 24 were to go to "the peace establishment." Our fathers thought this too much. Perhaps the economy enforced on the spending

departments was worth the effort. I have known eminent politicians, who were not indifferent to the national defence, insist, up to thirty years ago, that we should make an effort after the old economy. But the sons of Zeruiah, who are described as mighty men of valour, were too strong for them, and are too strong for their descendants or successors. It is true that a Government ought to do its best to reduce the public debt, and therefore should always have an excess of revenue over expenditure, that excess being strictly devoted to this end. But it is also true that if one leaves a productive tax in the hands of a Government, it never will be at a loss for objects to spend it on. This fact is illustrated on the largest scale by the Government of the United States. It is similarly, though not so plainly, illustrated by the history of the modern income tax, as I hope to show in my next lecture.

In 1815, there were, besides these taxes on income and malt, others which were supposed to be on personal expenditure; those on houses and windows, on carriages, horses, and male servants, on the use of hair powder and armorial bearings. Taxes on houses have been generally defended by economists on the ground that a man's house is a fair index of his income. It is no such thing. It may be an index of another man's income, and commonly is. It is constantly a very heavy tax indeed on the process of earning an income. It would be much more fair, if it were a tax on the building cost of the house, the ground rent being separately assessed. Some few years ago, I was officially the tenant of a house in Charing Cross. The ground rent was £400 a year, the building rent £100. The parties whom I represented paid house tax and local rates on the whole rent. The ground landlord escaped everything but income tax. It is plain to every one that a ground rent is the outcome of increasing population, and increasing competition on those who are engaged in various kinds of town industry. The actual income of the occupier may very possibly be no more than his rent. To tax him, then, on what is essential to his earning an income at all, is either to make him pay a double income tax, or to compel him to transfer the tax he pays in the first instance to his customer. When house rents in town were low, as they were in the days of

Adam Smith, there may have been some reason in the assertion that a house tax was a fair one. But it was very different when Mill wrote, and this latter author, omitting all inquiry into the incidence of the house tax, endorsed, I think rather rashly, the view of those older writers who approved it. Besides, the assessment of county mansions was, and is, notoriously fictitious, and upon this fictitious valuation the tax levied on the owner was calculated. Assessed taxes, as they are called, *i.e.*, taxes on voluntary, perhaps ostentatious expenditure are defensible. Some years ago, Mr. Gladstone jestingly declared that he would not remit the tax on the use of hair powder, as he deemed it the centre of constitutional finance—but he did remit it.

The tax on insurances, *i.e.*, taxes on forethought and prudence, yielded about a million sterling. There were taxes on auctions, taxes on advertisements, and taxes on newspapers. The first two of these pressed heavily on persons of moderate means, and in the case of auctions were in effect, nine cases out of ten, additional probate and legacy duties. The tax on newspapers, first imposed in Anne's reign, 1712, with the view of stifling criticism on the Ministry of Harley and Bolingbroke, had been greatly amplified by Pitt. If a Government is an entity, which is justified in using every expedient, as an individual might, to prolong its existence, a tax on those who might shorten that existence was a prudential measure. I am old enough to remember the time when a daily paper was a costly luxury. Taxes on locomotion were also levied, the tax being far heavier than that imposed on private carriages. Up to recent times, the tax on a hackney carriage was actually £18 5s. a year. Now, whatever may be said in favour of taxing the pleasures of people—and it is exceedingly hard to define and limit a luxury—to tax locomotion in the case of those who travel for business, is to impose an additional income tax on traders, which, of course, if they are to continue their calling on the ordinary condition of securing an average profit, they must recover from those who purchase their goods.

• Licenses were exacted from several traders, and heavy duties were demanded from other members of what are called the two branches of the legal profession. A barrister paid £25 on admission to an Inn of Court, and £50 more at his call. Less fees

were demanded from physicians, surgeons, and apothecaries. The attorney had to pay a tax of £20 on his articles of clerkship, £25 on admission, and £12 a year for license to practice. Such enormous fines paid for the bare permission to carry on a calling led to the doctrine that these practitioners had a vested interest, and justified the favour which has been shown to their function and to their charges. In the nature of things they recovered their outlay many times over from their clients. The taxes on traders were an indirect and most mischievous form of levying additional duties on consumption.

Pitt levied an enormous tax on salt, 15s. the bushel of 54 lbs. By this time nearly all the salt consumed in the United Kingdom was produced at home from brine springs. But the duty crippled the foreign trade in this article, and checked the manufacture of those soda products which the chemistry of the time had already discovered. Sugar paid 30s. a cwt., *i.e.*, a good deal more than its present price by retail, and pretty well a cent. per cent. tax at the time. The duty on alcoholic liquors was high, and was especially a tax on the poor, for the private brewer paid malt-and-hop taxes, while the brewer paid in addition a license on his calling, and an additional tax on the barrel. Wine and spirits were also heavily taxed. The total amount was nearly 18½ millions. Tea paid an *ad valorem* duty of 96 per cent., tobacco and snuff one of about 300 per cent. Coals and timber carried on coasters, or imported, 2½ millions.

Raw materials, cotton, silk, hemp, soda, indigo, potash, iron, skins and furs yielded more than 1½ millions. Manufactures were also taxed by the excise, leather, soap, bricks and tiles, glass, candles, and paper, to over 4 millions. But besides these near 1,200 other articles were in the tariff. The tax on some was simply destructive or prohibitory. But everything which people could use, everything on which ingenuity or improvement could be exhibited was starved by rigorous customs duties or a searching and vexatious excise. It was all but impossible for industry to make progress through these hindrances, and, as we shall see, the material progress of the country was very materially retarded by them. Finally, every transaction between man and man which could be carried on, or formed the necessary business of life, was

visited with heavy stamp duties, imposed so unwisely, so unjustly, and so recklessly that the smaller the transaction was the heavier was the impost on it. So intricate and obscure were these Stamp Acts, that people who had no thought of defrauding the revenue incurred penalties, or at least were declared liable to them, and not infrequently the courts of law declared themselves unable to interpret the statutes which they were called on to enforce. Some of these liabilities the people flatly, but covertly, refused to incur, and the difficulty, arose as to how the whole people could be indicted, a difficulty which has arrested the course of the most vigilant advocates which law and order have ever had.

I have given you a brief, and yet I believe a sufficiently accurate, account of the financial position in the United Kingdom, when a report on British finance was presented on January 5, 1816. The situation, however, had its humorous side, its highly irregular corrective. The public revolted against the tariff, formed an alliance with the smuggler, assisted in baffling the exciseman and custom-house officer, and generally handed over these ministers of the law to the worst penalties which theologians have denounced. Statistical evidence on the subject could not, in the nature of things, be forthcoming, but it was credibly alleged that half the foreign goods, especially spirits, wine, tea, and tobacco, consumed in England were smuggled. In Scotland and Ireland there is reason to believe that the customs and excise laws were all but universally disregarded. I am not aware that my native village in Hampshire was more defiant than usual towards the finance of the heaven-born minister and his admirers, but smuggling in it was open, bold, and perpetual. Even those who wore medallions of Pitt, the political saint of the time, bought wine, spirits, tea, and tobacco which had paid no toll to the royal exchequer. Nor do I doubt that the London tradesmen, who apparently paid the customs, found out how to approach and deal with the irregular merchant. In this way, and in this alone, they could indirectly lessen the charges which successive chancellors of the exchequer, each more foolish than his predecessor, till the series sank down to Vansittart, put on them. In the arithmetic of the customs, said Swift, two and two do not always make four, and unless the trader was to be ruined by unlicensed and illicit com-

petition, it was an overmastering influence with them to prevent two and two from making four. These financiers might, too, have known if they had studied the history of the English revenue, that the expedients which they had adopted had been tried before, and had been regularly baffled. Vigilant, too, and vexatious as the supervision of the exciseman was, the changes in the law, and the official instructions given to the revenue officers, show that they were constantly being outwitted by shrewd and desperate manufacturers. The exciseman was probably less frequently outmanœuvred than the custom-house officer, but illicit distillation was far from uncommon, and constantly undiscovered, and the fraudulent running of malt, to mention only one among several evasions, was common and successful. More harmless expedients were sometimes adopted. For instance, the excise on bricks was based on the dimensions of the product. When the Great Western Railway was being constructed between London and Bristol, and there was a great demand for bricks in order to construct arches, the contractor hit upon making his moulds of a larger size than ordinary, confident that the contraction in firing would bring them within the legal dimensions. So ingeniously and so accurately did he measure his moulds, that he actually, as he told me, saved the resultant duty in the excess of size. In those days men were exceedingly acute in evading fiscal imposts. In 1816 Vansittart even put an additional excise on soap; in 1819 fresh taxation was imposed to the amount of over 3 millions, and the revenue instead of being bettered was diminished.

The year 1820 is memorable for the presentation of the merchants' petition in both houses of Parliament. This historical document, drawn up by the late Mr. Thomas Tooke, and signed by many leading London merchants, was, as the custom went at that time, debated on its presentation. It contained the leading principles of the Free Trade theory. Its intrinsic truth and cogency was not disputed by Lord Liverpool, then at the head of the Government, but no hopes were held out that its prayer would be conceded. Lord Liverpool in a memorable passage declared that the hindrance to it was the vested interests which had grown up under the existing system, interests which would be imperilled if the petition became the test for practical politics.

Now there is no more serious peril which necessary economical and social changes incur, both in their inception and their course, than that of the vested interest, which is, nine cases out of ten, a demand that indefensible and mischievous privileges should be suffered to exist, or be compensated when extinguished. I have in a previous lecture shown how these claims were originated, what were the earliest occasions on which they were recognized, what defence is alleged for them, and how hollow and unreal it often is. But the cry has a natural attraction for those who think, like Demetrius of Ephesus, that their craft is in danger, and it excites only a very languid opposition from those who might be credited with the power of interpreting the facts, if they were not even prepared to yield to a clamour, either from sheer indifference, or because they are convinced that the benefit of reform could be more considerable than the loss involved in compensation. It is true that a stand has recently been made, and a project of recognition and compensation rejected, or at least postponed.

Animated with their success with the income tax, the country party attacked Mr. Vansittart's finance. The additional malt tax of 1819 was repealed, and on horses and in agriculture. Then went half the excise on leather, and soon provision was made for the reduction and the repeal of the salt duty. The remissions amounted to $3\frac{1}{2}$ millions. It was hoped that the deficiency would be covered by the Dead Weight Annuity, and by the conversion of certain 5 per cent. stocks into one of 4 per cent., an opportunity which arrives when capital is being steadily accumulated.

The Dead Weight Annuity was a scheme by which the Bank of England undertook to pay off the pensions contracted during the war, and those for the civil service. Now this charge was one which could have a limited and a calculable duration. The scheme was to make it the basis of an arrangement with the Bank of England, under which the duration of the charge was extended, and its termination fixed at a definite date, forty-five years after the operation, in 1867. The pensioners were very numerous, especially those of one Hanoverian regiment, which had run away at Waterloo, and seemed to be absolutely immortal after the action. But it was discovered at last that these interesting

Téutons had transmitted their claim on the British exchequer to their offspring, and that the parish clergy had assisted them in this praiseworthy, but fraudulent, attempt to procure a provision for their families. But in 1822 Lord Liverpool's ministry was recast, not before it was necessary, for it was becoming exceedingly unpopular. Peel took the place of Sidmouth, Canning that of Londonderry, better known as Lord Castlereagh, Robinson, whom Cobbett nicknamed Prosperity Robinson, that of Vansittart, who sank into obscurity on a sinecure and a peerage, while Huskisson went to the Board of Trade. These four persons began a new system of finance, which in a quarter of a century developed free trade, and bade, we may believe, a final adieu to protection. The leading advocate of these measures was Huskisson, who had long declared himself on the side of financial reform.

The first change was the abandonment of the sinking fund system, a project put out by Prior in the eighteenth century, accepted by Pitt, and continued with most disastrous effects, all through the Continental War. Briefly stated, it was a proposal that one's debts as a nation could be extinguished by borrowing more money, and therefore incurring more debt every year. It was, in fact, the perpetual renewal of accommodation bills, with the interest added to the principal when the liability became due. It is wonderful that any one so acute as Pitt could have been taken in by so transparent a project, and that at a time when he seriously applied himself to finance, and had not yet abandoned himself recklessly to mischievous taxation, as he did when he engaged in the Continental War. Now Huskisson had laid down the maxim that "the only source from which debt can be paid is the annual excess of revenue over expenditure." This new departure enabled Robinson in 1823 to repeal taxes to the annual amount of over 2½ millions. In the next year the spirit duties in Scotland and Ireland were reduced, with the result that a greater revenue than before was derived from the lessened tax.

The years 1823, '24, and '25 were prosperous. Europe was beginning to recover from the effects of the great war, and to supply an outlet for British manufactures, though of course it was only a beginning. The spirits of the two advocates of fiscal reform rose, and Robinson actually began to contemplate the removal of

all restrictions on British trade. The form which the first attempt (1824) in this direction took was the repeal of the duties on raw and thrown silk. The next was the reduction of the duty on wool. The third was on coals imported into London. The fourth was on rum, the increased yield of the lower duty soon making up the deficit, and the fifth was the abolition of a tax on legal proceedings. In 1825 Robinson continued his reductions, in this year on houses, and on articles of consumption, it being rendered pretty manifest that lessened duties not only increased the revenue, but rendered it possible that taxes on raw material could be abolished or lowered. This tariff was principally the work of Deacon and Huskisson.

Unluckily the progress which had been made was checked by a terrible financial crisis at the end of 1825, and the beginning of 1826, owing to the speculative trade attempted with the liberated Spanish Republics. I have commented on it in an earlier lecture. It was memorable as the occasion on which an attempt was made to affirm the principle and to suggest the adoption of bimetalism, when the subject was discussed with far more intelligence than will be found in a recent report. The convulsion, however, was entirely monetary. It produced no effect on the revenue. But the Budget of 1826 was marked by a curious incident. The draftsman of the Bill, says Mr. Dowell, allowed by an oversight one fourth of the tobacco duty to lapse in July. The effect of this accidental error was such a remarkable reduction in smuggling, that Robinson accepted the mistake, and acquiesced in the reduction.

Early in 1827 Lord Liverpool was stricken with apoplexy and soon died. Later in the year Canning, who had become Prime Minister, also died, and the administration passed into Wellington's hands. Then came the epoch of political agitation, of the repeal of the penal statutes against Roman Catholics, and of the first Reform Act. There was but little opportunity at such a crisis for the development of fiscal changes. But the tax on leather was repealed, and also that on beer. But in 1830 an important work on finance was published by Sir Henry Parnell, afterwards Lord Congleton, the son of the last Speaker of Grattan's Irish Parliament. Sir Henry Parnell is said to have been an im-

practicable colleague. But he had for years been chairman of the Finance Committee of the House of Commons, and had studied the subject on which he wrote with the care which is necessary before financial propositions can be announced or entertained. It is known that Parnell's conclusions made a deep impression on Sir Robert Peel's mind, and were the basis on which he established his changes after he came into office in 1841.

Parnell proposed the abolition of all taxes on raw material, using the word in the widest sense, so as not only to include products like cotton, wool, flax, and hemp, but those which, being the result of manufacture, are useful to the further end which is made of them, as leather, bricks, and tiles. He also advocated the same policy in the case of all excises on manufactures, on the ground that they were inevitably and invariably hindrances to industry. Such taxes were those on glass, paper, and printed fabrics. He further recommended a reduction of the taxes on foreign imports with a view of checking the practice of smuggling. In order to compensate the revenue for the loss it would sustain by these changes, he advised that a fair tax should be imposed on property and income. Some of his proposals were accepted, but the Tory party, after holding office practically for nearly half a century, was driven out in 1830. Then came Althorp's budget of 1831, only a part of which was carried; the repeal of the tax on coals and the excises on printed fabrics and candles.

When the reformed Parliament met, the Whigs were in the ascendency, and Althorp the finance minister. He reduced the house and window tax in the case of shopkeepers, lowered the insurance duty, took off the tax on fire insurances in the case of agricultural stocks, reduced the tax on soap, avowedly in order to check its illicit manufacture; abolished that on cotton and tiles, and lowered that on advertisements. To meet the proposal for a reduction of the malt tax, Althorp pointed out that to accede to this would be to render the imposition of a property tax necessary. In 1834 the house tax was repealed, the window tax retained, avowedly because the window tax touched the rich, while the house tax did not.

The malt tax was always a subject of vehement attack by the country party. The landowners were under the impression that

the effect of the tax was to check the consumption and lower the price of barley, and so to arrest the growth of rent from light land. It is remarkable, however, that though they insisted on this change while in opposition, they never could procure it from the Conservative party when that party was in office. Under our fiscal system it was impossible to dispense with taxes on alcoholic drinks, and, in particular, to remit or reduce the tax on one kind, while it was maintained in full on another kind. Experience too has shown that if a revenue is the object of a Government, it is not possible to successfully attempt a high *ad valorem* tax on certain alcoholic fluids. At first sight it would seem fair to levy a high tax on foreign wines, especially those which bear a high price. But in practice it is found that such a tax defeats itself, that consumption is checked, and the revenue suffers. There is, and always will be, no fertile customs or excise which does not come from the habitual consumption of the poor. Now in alcoholic fluids that kind is always the most popular and most fruitful for revenue purposes of which the initial cost of production is the lowest. This is spirits, particularly English gin, which could be supplied from fermented barley, the operation being different from that of malting, at not more than two shillings a gallon. But the duty imposed on it is more than five times the cost of production. But if you take the average prices of strong wines at fifteen shillings a gallon, such wines containing 30 per cent. of the spirit which is charged at so high a rate when it is the product of distillation, the tax per gallon is one-fifth of the initial value; while in beer it is about one-half the same cost or charge. The proportion seems to be unfair in the highest degree; but experience has proved that the ratio given alone, or something very close to it, must be preserved, if the revenue is to be fruitful. If, therefore, taxation checks the consumption of barley and the profits of barley growing, the check is greatest where the taxation is highest, and the raw material is most exclusively barley. But this is the case with British-made spirits. I was greatly amused when the tax was repealed, and the demand of the landowners conceded, at the disappointment which was expressed at the substituted tax on beer, into which it was by no means certain that more malt would go, for even the dullest

minds could see that unless the brewer were restrained from using anything but malt and hops, he would infallibly choose the cheapest material for his manufacture.

In 1834 the Whig government split in consequence of divisions on the Irish Church question, but was reconstructed under Lord Melbourne. But the new administration did not last long. It was succeeded by the first government of Sir Robert Peel, who, in order to test public feeling, dissolved the parliament. But this was not favourable to the new ministry, and in four months Peel resigned, and Melbourne returned to office. Spring Rice, afterwards Lord Monteagle, becoming Chancellor of the Exchequer. Lord Monteagle, whom I knew well in the later years of his life, was a very interesting person to a student of fiscal history, for he was exceedingly communicative as to his administrative career, and remained to the close of his life a representative of that financial school, which began with Huskisson and Robinson, and was continued by Althorp. The principle of those persons was to remit excises and taxes on raw materials, technically so called, and to reduce them in the case when they could not be wholly remitted, to such a point as would leave them available for purposes of revenue. He was scared, however, by excessive remissions of taxation, and was unable to discover that there were occasions on which the entire liberation of an industry from taxation would be followed by compensations in other quarters. He reduced, for example, the duty on paper; but he led the Opposition in the Lords when that House rejected the budget in which the paper duty was wholly repealed, an event which led to the latest collision between the two Houses, and the passage of the standing order under which the claim of the Lords to revise taxation was peremptorily negatived. But Lord Monteagle was convinced that he had taken a wise and judicious course, and he would dwell in treating this subject, on the enormous length at which he spoke in the Lords on the financial situation at this crisis. In fact, he had a good deal of that temper which was nicknamed the finality principle, which attempted to affirm that there were facts in finance and politics which must be taken as finally settled.

The five years 1837-42 were of great financial difficulty. The expenses of government, and especially of the services, increased,

while the revenue was inelastic. It was believed that both parties had been too free in the remission of taxation. The harvests too, no unimportant factor in domestic prosperity, and tax-paying capacity as long as free trade in food was denied, were deficient, and there had been no little overtrading and speculation. There was every motive for economy and prudence, but the Whig government were, or believed themselves constrained to undertake the duty of putting down the Canadian insurrection, an event which was on a small scale, though the results were different, like that of American independence.

The French Canadians were French settlers, who had been compelled to transfer their allegiance from France to Great Britain during the Seven Years' War. They were treated with some consideration by the conquerors, and remained loyal to the British party during the War of Independence, probably from dislike to their American neighbours. Meanwhile a new colony, reinforced by loyalists from the States and immigrants from England, was formed in Upper Canada, and upon this and a detestable land company in which jobbery was rampant, the British Government heaped its favours. It would be a long story to show how unwisdom created discontent, how discontent grew into indignation, and how the refusal on the part of the Colonial Office to listen to Lord Durham's judicious advice drew these people into rebellion. They were put down, for the home government had powerful allies in the English settlers. The leaders of the revolt were put on their trial for high treason, capitally convicted, pardoned, became leaders of public opinion, and one of them at least finally knighted. I do not dispute the wisdom with which the Government treated the revolt, and the leaders of it; and I have not time to explain in detail, even if it were relevant to the subject before me, the unwisdom which induced the outbreak, and the weakness which surrender after bluster invariably displays. Ever since that time there has been trouble in Canada, and the Colonial Office was the first cause of it.

With part of this trouble Spring Rice had to deal. It made its appearance in a series of deficits. In the first year the expenditure was in excess of revenue by one and a half millions, in the next half a million, in the third a million and three-quarters.

Early in 1839 the Government resigned, and Peel was again called on to form an administration. It broke down under what was called a palace intrigue, and Melbourne returned to office. His Chancellor of the Exchequer went to the refuge of failures, and Francis Baring succeeded him.

The Whig Government, however, in 1839, resolved on a most important financial reform. The Post Office was established during the Protectorate, partly as a convenience for the transmission of Government despatches, partly, as the Act avowed, for the purpose of detecting designs against the safety of Government. This part of the Commonwealth legislation was adopted by the restored Government; the conveyance of letters was made a monopoly, and the Crown of course began to quarter pensioners on the fund. As time went on the rates of postage were greatly increased, the charge being founded on a mileage which was arbitrary, because the routes over which letters were carried were settled on no principle whatever. In my youth, the postage from my native place to one town seven miles off was eightpence, that to another twelve miles off one penny.

Now for some time before the Act of 1839, Rowland Hill, then one of the Post Office secretaries, had urged that the real charge of the Post Office from the point of view of carriage was infinitesimal, the true cost of the service lying in the distribution of the letters. I am, I think, right in saying that my friend the late Sir Rowland Hill was the originator of this generality, though I believe that others have laid claim to it. It is quite certain that Hill was credited by those who were adverse to the change with the authorship, and one of the blemishes in Sir Robert Peel's administration was Mr. Hill's suspension from office, shortly after the new Government was formed in 1841, on some frivolous pretext. He was, however, speedily and wisely restored. The proposal had the warm support of a new school of politicians, which got the nickname of the Manchester Party, and consisted chiefly of the manufacturing classes in the north of England, and was treated with indifference or hostility by the country party, who were beginning on other grounds to feel the keenest animosity against their northern critics. The reason of the discrepancy was obvious. Easy and cheap communication by post was part, and

a necessary part, of mercantile business ; but was of less importance to country squires and farmers. The change of 1839 put an end to the privilege of franking, possessed up to that time by members of both houses, a privilege which, if we believe a story that a grand piano was once franked by a member to Ireland, was distinctly abused.

Baring, who had to succeed to the deficits of Spring Rice (and the new postal rates for a long time did not earn the income of the old system), had to meet a deficiency of a very serious character, no less than two and three-quarter millions. Of this deficit a million and a quarter was due to Post Office reform. To meet the emergency Baring had recourse to the worst expedients of Addington's and Vansittart's finance. He added 5 per cent. to customs and excise, an additional tax on spirits, and 10 per cent. on assessed taxes. The scheme was exceedingly unpopular. As it was contemporaneous with the Queen's marriage, the assessed taxes were, as I well remember, called Prince Albert's tax, and the Conservative party cut down the parliamentary grant, which the Government, guided by precedents, were disposed to give the Prince. Unfortunately too the projected failed, and the additional taxes failed to secure the expected revenue. In the year 1841 there was an anticipated deficiency of two and a half millions.

But before this fiscal crisis came a new force was rising, which was adding to the difficulties of the Government. An active and energetic party, amply provided with funds, and characterized by great perseverance, was engaged in agitating for the total repeal of the Corn Laws, and the entire abandonment of those principles which had governed English policy for more than a century and a half. The British nation had become the manufacturers of the world. But the Corn Laws stopped the exchange and paralyzed production. Corn-producing countries were eager to buy, and the northern manufacturers willing to produce ; but the restraint on imports, virtually prohibitory, impeded the operation of trade. There was consequently great distress in the manufacturing districts, and much discontent. The interests of labour and the interests of trade were equally crippled by the protective system. The advocates of a change had a ready, a sympathetic, and finally

a determined audience. Nor were the country party wise. Sometimes, it is true, they appealed to the fear of dependence on foreigners, but more frequently they stood on their private interests, or, as some boldly said, of the vested right which the landowners had to high prices and monopoly. As the advocates of the new policy grew bolder they disclaimed all compromise, and declared themselves determined to destroy the Corn Laws, root and branch.

The Whigs were by no means disposed to yield. As for their rivals, the utterance of Lord Liverpool was remembered that the Corn Laws were a vested interest of the landowners. Lord Melbourne, an easy, genial, indolent politician, entirely imbued with the maxim of Walpole, "*Quieta non movere*," or, as he put it, "Why can't you leave it alone?" said that any one who proposed the repeal of the Corn Laws was mad. But the Government must either do something, or alienate a large section of those who had hitherto been their allies. They fancied that they had discovered a middle course. They proposed to reduce the duties on timber and sugar, in the hope that increased consumption could make up the immediate deficiency. They were defeated on the Sugar Bill after a prolonged debate, for the question of sugar was a good deal mixed up with that of slavery. The Government held on, and announced their determination to propose a fixed duty of eight shillings per quarter on wheat, with proportionate rates for other kinds of grain. They were met by a motion of want of confidence, proposed by Peel, and on a division were in a minority of one—312, 311. They resolved to dissolve Parliament and appeal to the country. The result of that appeal and its consequences will be dealt with in my last lecture for this term.

I am sensible that this sketch of British finance, from the conclusion of the great war to the election of 1841, is dull. But we cannot always expect liveliness in economic subjects, and least of all in finance. The experiments, however, of the period on which I have dwelt were of great importance in the greater and bolder experiments which were to be made hereafter by a man who had studied finance with anxious care, and had already made his mark, when he resisted successfully the attempt to tamper with the good faith of Government, for which too many of his associ-

ates were ready, at the resumption of cash payments, and had similarly been deaf to the blandishments of the bimetallists in 1825. He at any rate was determined to let no man describe him as he described Baring, as "seated on an empty chest, by the pool of bottomless deficiency, fishing for a budget."

XII.

ECONOMIC LEGISLATION SINCE 1841.

History of the Corn Laws—The Anti-Corn Law agitation—The rise of the Conservative party—Peel's finance—Reform in the customs tariff of 1842—The income tax reimposed—The Budget of 1845—The Irish famine—Peel and Cobden—The revolution of 1848—The Crimean War—Gladstone as finance minister—Direct and indirect taxation—The Budget of 1885—Mr. Lowe and the commercial prosperity—Mr. Goschen and local taxation—Division of local taxation between owners and occupiers.

THE Whigs of the Reform epoch, *i.e.*, of the period at which the first change was made in Parliamentary representation, were not fortunate, and their latest expedient, under Mr. Baring's action, was unwise and unlucky. But, in fact, their position was exceedingly difficult. The revenue was derived from customs and excises, from direct taxation on expenditure, and from stamps on commercial transactions. Now every one saw that customs levied on the materials of industry were in the last degree injurious to industry, that excises levied on manufactures were hindrances to improvement, and directly stimulated evasions, to counteract which an increasingly vexatious espionage was necessary. But only a few persons discerned that of all mischievous laws, that which interfered with the adequate supply of food was the greatest wrong and the greatest folly. Men are driven to industry by reason of the necessities of life, and primarily of subsistence. The economical theorists insisted on this with superfluous, and,

as I think, with misdirected energy. But few persons seem to have insisted that to check the importation of food was to check the industry which would have been directed towards procuring it through the agency of commerce, and those who did see this truth, and urged its acceptance as a part, and an essential part, of practical politics, were credited with sinister designs against the agricultural interest, with the project of reducing the wages of labour, and with the unpatriotic, almost traitorous, anxiety of making the British nation dependent on the policy of foreign governments. The arguments derived from these considerations were the most courteous form of reply which was given to the advocates of free trade in food. There were plenty more, now fortunately refuted by events, or only revived in our days, because men have forgotten the miseries of a past generation, or because people are ready to assert, that anything whatever is the cause of their trouble, except it be their own folly, incompetence, and shortsightedness. As it was, the whole landed interest, with rare exceptions, was averse to any modification in that part of our fiscal system which dealt with the prohibition of foreign food. The working classes, especially the most intelligent part of them, were entrapped by the gross fallacy that wages rise and fall as food is dearer or cheaper, and did not perceive that if this were true their actual wages could not be in excess of a bare existence; and all the foolish people, now it may be hoped fewer, who deemed that foreign trade would denude the country of its money, or compel it to unpatriotic deference to foreign governments, resisted the proposed reform.

No form of tax, it will be obvious, is more injurious to trade than that which puts an *ad valorem* import on a necessary of life, and is necessarily remitted when the price indicates dearth or even famine. Now this is precisely what the Corn Laws did. When food was at low or moderate prices the tax was prohibitive, when it was at scarcity prices the tax was almost remitted. Now foreign nations, like our own people, produce in the expectation of a market, and seek those places in which to sell their goods where the market is open. But no one could forecast the harvest in a foreign country, and therefore would not produce for it, or consign goods to a designedly uncertain market. It is true that under

our warehousing system corn could be imported and stored under bond. But here an additional uncertainty was created. Neither consignor nor consignee could guess whether what they sent or stored would be allowed to come into the market or not. If the harvest was abundant and corn was cheap the foreign corn rotted in the warehouse, and the loss, viz., the cost of production, the freight, and the storage charges, was total. And in the same way the English manufacturer, who produced his own goods with the hope of exchanging them for these foreign products, was disabled by the uncertainty of the market: of course the foreign corn was exchanged against English goods, but when the chance of exchange depended on the caprice of the seasons, no reasonable manufacturer would incur the risks of so precarious a speculation. Hence there might be an urgent demand for food, and a foreign market eager to exchange food for English goods, the two prime elements of stimulants of industrial activity, and yet both might be prevented from completing the industrial circuit. In point of fact, as long as the Corn Laws and the sliding scale stopped the way, the remission of taxes on new materials, the abolition of excises on certain industrial processes, and the lessening of taxes on popular luxuries, were of little avail. For it is found out that no customs and excises are fruitful unless they are derived from general consumption, and it is plain that when the necessities of life are stinted, and the industry which could indirectly procure those necessities is transferred, the remissions of taxation are not likely to be followed by elasticity in the revenue. If governments want to get an income out of consumption it is their first interest to do all in their power to make the necessities of life as cheap as possible, the market for them as open as possible.

The Corn Laws, in the form of a sliding scale, were first enacted in the interest of landowners by the Pensionary Parliament of Charles II., and when the farmers became a part of the electorate in 1832 were maintained presumably in their interest, or, at any rate, the farmers were advised to fight for them. But, like most of the gifts of government, they were of very doubtful benefit at any time to the landowners, and of still less good to the farmer. They were obviously of no value to one or the other, when the price of corn was so low at home that the prohibitory tax was in

full force. When, on the other hand, bad harvests raised the price to that of dearth or famine, the ports were, by the operation of law, thrown open, and the price was suddenly reduced. In other words, the Corn Laws and sliding scale increased the risks of the farmers' calling, always considerable enough and vexatious enough. With low or moderate prices, which may however be fairly anticipated, the farmer could find out in what direction he could best turn his industry; with uncertain prices he was constrained to be a gambler. During the existence of the Corn Laws and sliding scale he was beset with the alternative terrors of plentiful and scanty harvests. If the former occurred there rose the cry of agricultural distress; prices would not pay rents, and either farmer or landlord had to suffer. If the latter, there was always the risk of a deluge of foreign corn, let loose by the operation of law from the bonded warehouses, a glut in the market, and a ruinous fall. The only chance for him was a price which would yield him a profit. But he was in the worst conceivable position for anticipating this. To forecast it demanded a large knowledge of foreign harvests and foreign markets, of the quantities already in bond, and the quantities which could be come at. To know this was the business of the corn merchant, and there is good reason to believe that he got these occasional profits. There was some reason too for his getting them, for the risks of his calling were very great, and he naturally made the most of his chances. Nor did the rent of land rise as it did after the repeal of those provisions which were intended to exalt and perpetuate it. From 1815 to 1846 rents were at best stationary, and were in some cases reduced. They had it is true risen, and partly, I allow, by reason of prices. But they owed much more to the growth of agricultural skill, *i.e.*, the diminished cost of production and the inevitable increase of profits. Now I need not say, that to increase risks is to discourage skill.

The landowners and farmers believed that the system secured fair rents and fair prices. But the former knew nothing about the causes of economic rent, and the latter never kept accounts, and therefore had but scanty means for arbitrating between the gains of one year and the losses of another. During the time when the agitation for the repeal of the Corn Laws was at its

height, a Mr. Chonler, one of the Duke of Rutland's tenants, stated at an agricultural meeting that the farmers had all the horses, and could ride the free traders down. The retort that they had all the asses too was broad, but complete. Some twenty years after this utterance I made Mr. Chonler's acquaintance. He was then a jolly, prosperous farmer, who was turning his teams to better purpose, and often admitted to me that his fears had not been realized. I do not remember that he ever regretted not having exchanged the tools of peaceful agriculture for the flashing sabre of the yeomanry.

The repeal of this precious system, so fruitful of mischief, and so suggestive of deferred hope, was not to be thought of. Lord Melbourne said that any person who proposed the repeal of the Corn Laws would be mad, and the Whigs were as much interested in the contingency of high rents as the Tories were. But the Corn Laws and sliding scale produced no revenue. Nobody paid it when prices were low, and the law ceased to operate when prices were high. But it was very important in the face of annual deficits to get a revenue. If this could be got, and at the same time rents and corn prices could be kept up, a double stroke of business would be done. The landowners and farmers would obtain a benefit, the revenue would be increased. So Baring got his colleagues—in those days the budget was debated in the Cabinet—to let him propose a fixed duty of 8s. on wheat, and proportionate sums on other kinds of grain. He was beaten on his budget, and the government appealed to the country. The Free Traders would not go with the Whigs, for they alleged that a fixed duty was a fixed injustice. But the country party was thoroughly alarmed. The elections turned strongly in favour of the Conservative party, as the Tories, at Peel's instance, it is said, began to call themselves. Peel came into power, and as was said subsequently, without pledges. That the landed interest believed he was there to maintain the restraints on the importation of food is however certain, and their belief is demonstrated by the exceeding bitterness with which they attacked him after he had announced and carried a contrary policy, one which went far beyond Baring's compromise. But as yet his position gave him a free hand for fiscal changes. He had the great advantage

that his party had confidence in him, or rather perhaps in his ability as an agent in financial reforms. For Peel had succeeded in re-establishing a solid currency in 1819, and had resisted bimetallic crotchets in 1825, and had seen the necessity of yielding to Catholic claims in 1829, and had not, like the Crokers of the age, despaired of the republic in 1832, and had criticized with effect the Whig finance which succeeded it, and had kept his wrath secret when the new Postal system was carried in 1839, and had defeated Paring's budget in 1841, and had always gone with his party, and had never seceded, leaving others less astute to do that. On the whole, too, Peel was a very good judge of men, as well as of the opportunity of measures. All his previous policy had been successful, or, in other words, had disappointed sinister predictions. He made a mistake about one man, whose allegiance he rejected. But it was difficult to estimate that personage in 1841, and as difficult to estimate him forty years afterwards. Besides, Peel was a consummate parliamentary hand, to use modern slang, and an accurate judge of those forces which lie outside of Parliament. In 1841 he had *carte blanche*, and he knew how to use it, and to commend it to those whom he had trained, and to make his financial policy irreversible.

It is clear that he had accepted the principles of Parnell in his work on fiscal reform; in brief, the relief of trade and the sustentation of the revenue by an income or property tax. The principle of the change is one which it may be worth while for an economist to state. Parnell died in the spring of 1842, and did not therefore see the effect which was given to his reasonings. And, indeed, they who remembered the persistency with which all classes had resisted the income tax of the war, and there were many living who had paid it a quarter of a century before, might well have deemed that the proposal to revive it was, in the House of Commons' language, academical. It required a man with a very strong party, which trusted him, and would not or could not criticize his finance, and an opposition which was not implacably hostile, to revive the income tax as a financial expedient. But Peel was convinced that by this expedient only he could restore public credit, increase the revenue, and lessen the public debt. for

you need not be told that public credit and the reduction of debt depend on an elastic revenue.

I hold, and always have held, that an income tax is unfair in principle and capricious in its incidence. It taxes uncertain or precarious income at the same rate that it does certain and permanent income. It levies the same rate on a professional income, which requires a great initial and a great continuous outlay, as it does on an income which needs no such expenditure. It gives to certain classes, retail traders notably, the opportunity of treating it as an occupation tax, and of transferring it to the price which they put on their goods. And when imposed on government securities it gives the impression of confiscation, for it is absurd to say that a government is fulfilling its contract of paying 3 per cent. on its loans, when it pays only £2 18s. 3d. on a 7d. income tax. And it taxes capital and interest in an annuity terminable at a given date, or with the life of the individual annuitant, interest only when the income is permanent. The great masters of finance have, it is true, uttered some plausible sophistries about this inequality, and perhaps the shallowest of them has been endorsed by Mr. Mill. But if the income tax of 1842 (it never was a property tax, and the phrase is not only misleading, but positively dishonest) be interpreted in the light of what a financier in Peel's position could do, and in that of the urgency of the case, it has the justification of necessity. Peel could not have imposed a property tax any more than Pitt could, or than Pitt's Childers could make real estate pay the same succession charges which personal property did and does. The territorial interest was too strong. How long it will be too strong is a topic which lies beyond my province to discuss. But the attempt has been made to equalize the succession duties, and though the attempt was a failure, some failures involve subsequent success. It is not agreeable to revive a rejected budget, but events march.

The details of Peel's income tax are peculiar, and suggests how anxious he was to avoid the sensitiveness of his party. It was impossible to levy a differential tax on rents and let the landowners, the value of whose property was constantly rising, pay less than the professional and trading classes. But it was expedient to show consideration to farmers who formed, under the

Chandos clause, the mass of the county voters. Their profits were estimated from this political point of view, at a lower rate than Pitt and Addington had set them. They were set then at half the rent in England, and one-third the rent in Scotland, and subsequently in Ireland. If this valuation had been sound, it would be a complete condemnation of the rents paid for land. But it was unsound and unequal; unsound, because it certainly let the farmer off at half his real income in England, and one-third in the rent of the United Kingdom; and unequal, because the rent of grass land is far higher than that of arable, and the cost of cultivating it to the acre is less. I do not find fault with Peel; he had to conciliate his party, and the most agreeable conciliation which a financier can find is that of showing them fiscal favour. The farmers did not, as some foolish people say, pay the landlord's income tax, for they deducted it by law from the rent, but taxation is an element in the cost of production, and in consequence of net profits; and thus, if the farmers were let off easily, they could pay more rent. Peel estimated that an income tax of sevenpence in the pound would yield about three and three-quarter millions, *i.e.*, less proportionately than Addington's tax had yielded. But the earlier scheme had taxed incomes from £50 to £150 on a graduated scale. Peel's did away with the liability up to £150 a year, and did not contemplate the taxation of incomes spent out of the United Kingdom. It was expedient to give an impression that the tax was a compensation on remissions of customs and excise which presumably pressed upon income, and this at a later date was made the defence of the tax. It was to continue for four years only, that is, till such time as the results of the new departure could be estimated by experience.

There were 1,200 articles in the customs tariff in 1842, and immediately Peel dealt with 750. He reduced taxes on raw materials, the word being used in a technical sense, general to nominal, or to what people called registration amounts. If the articles were partially manufactured, reductions were made. If they were manufactured the duties were not to exceed 20 per cent. of the value. As I have mentioned before, the expression "raw material" is ambiguous and not very easily definable. But, conventionally it came to mean any product of value, *i.e.*, of demand,

which was not in its present shape ordinarily available for human use. The estimated loss was £1,200,000. In the next year further remissions were made to the amount of £400,000.

In 1845, a new factor in the industry of the country was being rapidly developed. I have often stated to you that the two forces which tend to lower prices are diminished cost of production and diminished cost of freight. If prices were lowered, the margin left for voluntary consumption was increased, for you never tax necessary consumption. This new form of industry, marred indeed by rapine and folly, the fruits of which the present generation bears, was railway enterprise. The surplus revenue in 1844 was announced at five millions, and the experiment had been proved a success. In 1845-6, when the income tax was to cease according to Peel's compact, the revenue would be sufficient. But the minister predicted a deficiency in 1846-7, and he therefore asked the House of Commons to extend the impost for three years more, so as to give an opportunity for entirely freeing commerce and manufactures from shackles, and "of adding to the comforts even of those who are called on to contribute it." For it must be allowed that Peel's early tariff reforms produced an appreciable effect on the expenditure of the consumer, but thereby curtailed his resources.

In the budget of 1845, 450 items were taken out of the tariff these being chiefly raw materials. All duties on exportation were repealed. The excise on glass was also abolished. It had on both occasions at which it was imposed, ruined the manufacture in the days of William III., and during the war of the Austria Succession. It was condemned even by the commissioners of excise; so was the duty on auctions—an entirely indefensible tax. But in the autumn of 1845 a serious calamity had occurred. The harvest was wet beyond ordinary experience, and the crop was housed in bad condition. A new disease appeared in the potato which, for reasons too long to dwell on here, had become the staple food of the Irish. It was nearly as much the food of the Scottish crofters, though it was not the sole source of their livelihood as the manufacture of kelp had not been yet superseded by the production of soda ash from salt. It was nearly the sole food of the Belgian peasantry, the most industrious and thrifty of

races. Now when a community, however saving it may be, lives habitually on the cheapest kind of food, it is always within risk of dearth, and hardly less frequently of famine. Speaking roughly, the prices of wheat, barley, and rye, and oats, stand in the ratio of 100, 75, and 50. Now if a community habitually subsists on wheaten bread, as Englishmen did during the Middle Ages, a dearth may be met, as I have reason to know it was met, by having recourse to inferior grain, as rye, barley, or oats. But if a community lives from necessity or parsimony on the cheapest kind of food, it has nothing to betake itself to when this supply fails. The Belgian peasantry after the potato plague of 1845 suffered almost as much as the Irish peasantry did. They had to be driven back from the towns to which they flocked, by force. In Ireland, the people died by thousands, either directly by starvation or of famine fever. Great efforts were made to relieve them, but these efforts naturally fell short of the calamity. The University people were not friendly to Corn Law repeal. An undergraduate at the time, I never came across more than one person who, like myself, was an advocate of free trade in food. But the place was stirred by the determination to help the Irish peasantry, and the late Mr. Forster was the agent by whom the contributions collected here were distributed in the desolated west.

It was impossible for the Government to resist. Peel, by his own act, necessarily to be condoned by Parliament, threw open the ports to grain and other food, and foresaw that they never could be closed again. He entirely changed his front, acknowledged the cogency of the arguments against restrictions on the trade in food, and when some of his colleagues declined to endorse his views, resigned. But within a fortnight he was recalled to office; Mr. Stanley, afterwards the late Lord Derby, who had deserted the Whigs on the Irish Church Act, and now deserted the Conservatives on the importation of Food Act, declining to return to the Ministry. The Budget of 1846 repealed all duties on corn from February 1, 1849, except a shilling duty on entry. Nearly all other articles of food were exempted from duty. The repeal of the Corn Laws was carried by a large majority, and the Lords did no more than protest very numerously. I never saw Sir Robert Peel but once, and that was at his sister's house at

Brighton. He then said, what I make no doubt he had often said, that he had been in Parliament nearly forty years, and had never known a session without a Scotch Salmon Bill and an Irish Coercion Bill. His ministry was wrecked on one of these Bills. On the very day that the repeal of the Corn Duty Bill received the royal assent, his Government was defeated by a coalition of Protectionists, Whigs, and Irishmen. He left office rejoicing that his name would be associated with a necessary and important fiscal measure, the success of which he ascribed to the unwearied energies and the irresistible arguments of my late distinguished friend, Mr. Cobden. In course of time, the Protectionist party died of inanition, and modern attempts to revive it are futile and discredited. It was not to be expected that the reform which Peel effected would at once create supply and a market. Trade does not indeed require to be nursed, but trade may be so discouraged by unwise fiscal regulations, that it takes a long time to revive it. The harvest was bad in 1845, and not much better in 1846. The revenue would have suffered seriously, and Peel's changes would have been put to the severest strain had it not been for the impulse given to railway enterprise and the demand for labour paid generally at high rates. Great Britain was put into the hands of the navvies, and the contractors for the works found out that one well-fed workman was worth two ill-fed persons. Many of the projects to be sure were impracticable, many premature. Parliament in two years actually sanctioned the construction of near 8,000 miles of railway at a cost of near 200 millions. Then came a commercial crisis, the outcome of excessive gambling in new projects. But the fittest survived, and with them abundant employment and large expenditure. Eight millions were borrowed in order to meet the costs of the Irish famine. But no further change could be made.

In 1848, the revolutionary wars went over Europe, and half the thrones were shaken. In France the monarchy was overthrown. The only event which disturbed England was the Chartist agitation, which collapsed. But when the news of Louis Philippe's flight from France was told in the House of Commons, Sir Robert Peel walked across the floor of the House to Mr. Joseph Hume who was sitting by Cobden, and said to him, no doubt for the

edification of both, "This is what might have happened in England if I had listened to those Protectionists opposite." The story was told me by Cobden. The condition of Europe led to an increase in the estimates, and we were saddled, by the action of the so-called Cape Colonists, with a Kaffir war, which these Colonists had provoked, and for which we paid the bill. The expedient, of course, was the income tax, which was continued at sevenpence for three years more. It was only in 1850 that Wood was able to get rid of the tax on bricks, and to lessen the stamp duties. In 1851 the window tax was abolished, and an inhabited house duty revived.

In 1852 Lord Stanley, afterwards Lord Derby, came into power, and Mr. Disraeli became Chancellor of the Exchequer. In the winter of this year Disraeli brought forward his Budget, avowedly based on the principle of relieving the agricultural interest at the cost of the general body of taxpayers. It was at the meeting of a new Parliament that the final battle of Protection was fought. The Government was defeated, and Mr. Gladstone became finance minister. He extended the income tax, imposed it on Ireland, and permitted, up to one-sixth of the income, an abatement for life insurance. He contrived, too, to procure a very moderate duty on succession to real estate, the yield of which very much disappointed his expectations. The duty on soap and advertisements was repealed, the assessed taxes were revised, and the tax on tea was lowered. Some changes were made in the stamp duties, especially the substitution of a penny receipt stamp, which is paid, for an ascending scale of charges which never were paid. The penny receipt stamp was pressed successfully on Mr. Gladstone by the late Mr. Christie, the latter, who found that the society of Quakers, to which he belonged, though just generally, in rendering what was due to Cæsar, could not be induced to buy receipt stamps.

In 1853 the Crimean War broke out—our first quarrel with Russia. I do not enter into the causes which led to it, or to the reasons which made it popular in Great Britain. It had the effect of adding at once and, permanently, about ten millions annually to our expenditure, apart from the immediate charges of the war. In the commencement, Mr. Gladstone put the burden on taxation. He raised the income tax to 1s. 2d., put a war duty on malt,

spirits, and sugar. But the Government was ill served at the public offices; the commissariat, which was still a highly effective organization for plundering the public, creating large fortunes for contractors, and entirely ruining, as far as human power could, ruin the army, broke down. The Government had to resign, but the contractors, as they go now, went unpunished, and have, no doubt, begotten statesmen of more than average audacity, courage, and activity. Sir George Lewis undertook the finance of the country. The income tax was raised to rs. 4d., and duties were put on articles of consumption, which were calculated to produce as much as the additional income tax did. The Crimean War cost seventy millions, of which about half was raised by loans. The Treaty of Paris was signed on March 30, 1856, but a cessation of war does not mean a cessation of war expenditure, and the income tax was reduced to one half the war rate, for the other taxes on consumption were continued till 1860. But in February, 1858, the Palmerston Government was overthrown, was succeeded by that of Lord Derby, which only lasted for fifteen months. Palmerston returned to office on June 18, 1859, and remained in power to his death, Mr. Gladstone again becoming Chancellor of the Exchequer. By this time the expenditure had risen to sixty-nine millions, and the deficit which the preceding Government had left was near upon five millions. Mr. Gladstone raised the income tax from 5d. to 9d.

In 1860, Mr. Gladstone had to accommodate his budget to the Commercial Treaty which Mr. Cobden had negotiated with France. He put another penny on the income tax and made a fresh revision of the tariff, altering, reducing, and extinguishing duties, bringing the customs and excise almost into the simplicity of their present form. In eighteen years the British tariff, which had been the most complicated and exhaustive conceivable, could be printed on half a page of Whitaker's Almanac, that repertory of useful information, to which the late Lord Beaconsfield declared that he owed so much. The same budget attempted to reduce the duty on paper; but the Lords, led by Monteagle, who often dilated on his achievement with modest pride, rejected the Bill for its repeal. But after an altercation with the Commons, they accepted it in the following year. For once, Mr. Gladstone had over-

estimated the revenue, and, as is said, by the amount of the paper duty. But the harvest was bad, and the deficiency of the harvest depressed the revenue. The next year's harvest was abundant, and the revenue exceeded the estimates by two millions. The result was a reduction of the income tax by a penny, and the repeal of the paper duties.

It was at this time that Mr. Gladstone, comparing direct and indirect taxation to two beautiful sisters, the Misses Gunning of finance, asserted that as a financier he could not allow himself to decide upon their respective charms; but, on the contrary, paid equal attention to both of them, that both were the daughters of Necessity and Invention, and that each had an equal claim on the public purse. I do not deny that it was an adroit piece of badinage, but I am convinced that the speaker was not serious. I can find a defence for an income tax, in spite of its unfairness and clumsiness in two conditions only. It may be necessary in order to meet a political emergency, or to be made the basis of a fiscal experiment. In this manner it was used by Peel, by Wood, and by Gladstone up to 1874. But as a permanent tax it is ~~obviously~~ unfair, does not visit equal capacity with equal sacrifices, and is only justified by the tyrant's plea. It may have an apology, but it has no defence.

The fact is, direct and indirect taxation are terms intended to imply that the taxgatherer visits the taxpayer immediately in the first case, and mediately, or through the instrumentality of another, in the other case. If imported commodities are taxed, they are rendered securer, and it depends upon the demand of a possible consumer as to whether he will submit to artificial sterility. If he declines to do so, the Government is *pro tanto* baffled, and its taxation becomes also sterile. To learn what articles will bear taxation and what will not, and if they will to what limit they will bear it and remain productive to the revenue, is the first and last problem to the financier. Some stupid financiers, like Baskwood and Vansittart, were untractable by the plainest evidence. The evidence comes in two ways. Will the consumer cease to procure the article at all? Will he have recourse to irregular means in order to satisfy his demand? Either alternative is injurious to the revenue. The case may be varied in terms. Will the tax

destroy or cripple the trade? Will it evoke the intervention of the smuggler? If neither of these consequences ensues, the dealer, it is presumed, becomes the agent of the Government, and recovers from the consumer what has been paid to the Treasury. Of course the consumption will be checked, and so, *pro tanto*, the dealer will be injured, and I think it cannot be doubted that, though the dealer puts more than the tax on his customer, *i.e.*, makes him pay more than has been advanced to Government, he is not wholly free from loss or injury, for his trade transactions are curtailed. The proof of this is the advance of trade, and even of prices, when taxation is remitted. The former comes from the increase of consumers, the others from the demand of consumers. Now such a tax, in the loose language of economical politics, is called an indirect tax.

But people forget that men purchase services as well as manufactured products. The physician, the lawyer, the teacher, deal in services, as do a thousand other callings. The usage of financial language is to call a tax on such persons direct. The first may need a carriage and horses, may have to live in a high-rented house, and in a high-rented locality. The second may be charged a heavy license duty on his calling. So again a trader, who is competent and honest, conditions not invariably satisfied, sells a service. His customer relies on his skill in supplying genuine articles. Tax these people directly and they will strive to transfer the tax to those who use their services, and generally with success. Physicians declare that they cannot live on the old scale of fees, solicitors stuff their documents with verbiage, and successfully claim a scale of charges for the privilege, too often exercised, of doing mischief, and traders transfer the tax on their callings, as well as on their goods, to their customers. As I have said, in the loose language of financiers, they have been visited by direct taxation, and they make every effort to secure that it should be indirect as far as they are concerned, and they are successful. Mr. Gladstone's beautiful sisters are twins in character as well as feature, or, to be precisely accurate, are the same person under different names. If they were not, the same person would be under a double burden. The fact is curiously illustrated by what happened during the suspension of cash payments. That pro-

longed, suspension was a financial expedient. It was adopted by Pitt at a crisis of affairs, and prolonged by his incompetent successors when the actual crisis was over. Vansittart and Stanhope assured the country, and Parliament endorsed their nonsense, that gold was appreciated, and that the note had not fallen in value. But the judges knew better. They ascribed their shortened incomes to the policy of the Government, and they demanded and procured, as Cobbett tells us, an exaltation of their stipends from £3,000 to £5,000 a year. In other words, they transferred the tax.

The only tax which satisfies the conditions of a direct tax, *i.e.*, a tax which is in its beginning and its end paid wholly and solely by the person who is called on to contribute it, is a tax on property. British finance knows only one tax on property, and this is the probate and legacy duty, levied on personal estate, as defined by lawyers. This is not levied except in a ludicrously inefficient way on what the same people call real property. The tax on conveyances is one on a mercantile transaction, not levied on land only, but on stocks and shares. Now the person who pays a tax on property cannot shift it, for in the nature of the case it is not the material of economic exchange. If the property is sold it is made none the scarcer, as tea, tobacco, spirits, are by the tax; on the contrary, if anything happens, the imposition of the tax renders it more saleable by rendering its retention less desirable.

I need hardly say that, all the force which power in Parliament, and of sophistry when power is threatened, can wield has been employed to save property from taxation. All local taxation has been put on occupancy. All charges which can be put on intermediaries in connection with ground-renting are put on them, for it is seen that as they have business, or exchange relations with occupiers, they will be able to shift them on the occupant. All new and permanent improvements are put on occupancy. By an absurd construction put by the magistrates in quarter sessions, from whose decision there is no appeal, the mansions of landowners are valued at nominal rents, for purposes of local taxation, of income tax, and of succession duty. The succession duty is based on the estimate made of the successor's expectation of life.

is distributed over a number of years, and is remitted if the life drops during the period. The Government of 1885 was wrecked on the question in the budget as to whether a moderate approximation between the liabilities of real and personal property should be affirmed. And it should be remembered that while money devised for the purpose of purchasing land is treated as realty, land directed to be sold and divided between legatees, is treated in law as personalty. Of course this statement affects only one kind of property, but that kind is characteristic and dominant. When the sheer force by which these practices prevail and are permitted is weakened, appeals are made to sentiment, to self-interest among traders, and to the false and sophistical plea, that if land is more highly taxed, and the occupier be *pro tanto* relieved, the tax will be reimposed in an increased rent. But unless the tax causes a security in the article, and the demand is constant, it cannot be transferred. Now a tax on property would not make it scarcer, for it would make it less desirable, and thereupon more saleable.

It is neither just nor wise to exhaust the economic rent of land by taxation. If you do so, you must visit with the same tax the poor man's investment in land, as well as the rich man's ground-rents. It is even less just and wise to make the State the universal landlord, to increase the functions of Government, and to ensure corruption and jobbery. But it is wise to be equitable, and to do away with irrational and indefensible exemptions. It is proper to tax consumption, nor do I demur to the doctrine that there are enjoyments, never probably necessary, and certainly harmful, when taken in excess, which it is reasonable to tax up to the limit which will not extinguish consumption, and will not provoke frauds on the revenue. But above all things it is the duty of the economist, who is, as I have often alleged, only removed in a slight degree from the practical politician, to point out the incidence of taxation, and in these matters to insist that one should not confound names with things. Direct taxation is that which the person who pays it cannot transfer, indirect is that which he can and does; and the test which distinguishes the two is that of whether the tax induces scarcity on an article in demand, and therefore can stint its use. Nor would I suggest that profes-

sional or industrial incomes should be exempted from taxation. No man has a right to accept the services of the State without contributing to its charges, unless, indeed, his receipts in the distribution of wealth leave him nothing but a bare subsistence, either by his misfortune or his fault, or possibly by the direct action of others. It is, in my opinion, entirely idle to discuss in what capacity a Government makes its demands upon those who owe it allegiance, but are competent to criticize, to modify it or recast it. It may represent part of the division of labour; it may be the mere engine of police; it may be a necessary service; it may be, as I incline to conceive it, a judge in equity, whose sentences are never final. It is sufficient to say that to the economist it is inevitable, and that if it abstain from being the instrument or agent of rapine, its benefits to all, even the most self-contained, are indisputable. But it cannot surely be beyond the reach of human intelligence to discover what is the fairest, and what is the most direct way in which the burdens which finance puts on men are to be imposed, and that it is in the last degree irregular to dismiss a recognized unfairness by a jest, a simile, or a metaphor. Generally, indeed, these explanations are an acknowledgment of incapacity, not perhaps of intelligence, but of power, and imply that certain private and unwarrantable interests are too strong to be grappled with, that the possible must be defended, not the true, and that an excuse of a more or less plausible kind must be found, by which a difficulty is not to be confessed, but shirked.

After 1863 the revenue increased, as Mr. Gladstone said, "by leaps and bounds." There was a solid reason for this. The free soil and the slavery party had at length come to blows, and a war was waged during the whole of Lincoln's first presidency, which was costly beyond parallel and beyond anticipation. It is true that the United States adopted in this war an utterly unwise fiscal system, and an equally unwise funding system, and so increased the cost of the war expenditure and the amount of the debt. They deliberately made everything dearer, and deliberately increased the eventual burden to the Republic by what was virtually a factitious funding system. But the resources of the country were too great, it seems, to be exhausted by any blunders, and the necessities of the situation enabled foreigners to overleap the

barrier of what was believed to be a prohibitive tariff, which should enable the New England manufacturers and the Pennsylvanian iron masters to acquire the reputation of patriotism, and accumulate the profits of protection. And as the trade of this country grew by the exceptional demands of the combatants in the American War, industry was stimulated, was better paid, and had a larger margin to spend. The epoch of the American War was the beginning of that improvement in wages which went on with industrial activity. It checked foreign competition too in agricultural products, and gave occasion to that steady increase in agricultural rent which in the end has told so disastrously on tenant and landlord. The effect of the American Civil War was not over, when a brief but singularly destructive war broke out in Europe between France and Germany. The war was over within a year, but the losses incurred in it were enormous, and for its duration greater than that of the American struggle. Now when war breaks out, if the combatants have resources, the trade and manufactures of such non-combatants as can satisfy the inevitable void is greatly stimulated.

With the repeal of the duty on paper went that on hops, an agricultural product, the yearly amount of which is subject to prodigious variations. It was compensated by an additional tax on brewers, a class of traders who make, it seems, more profit than any one else, and can, therefore, be legitimately made the objects of taxation. They have been, probably because they know what their consolations are, tolerably patient, under the several imposts which have been put on them, and made no resistance to the arrangements which followed in more recent years, on the abolition of the malt duty, a boon which the farmers were always demanding, and in which they were abetted by their "friends," a boon which their friends never conferred on them, a boon with which they were instantly discontented when it was awarded them. But in 1885 they became restive, and since that time they have claimed to have a vested interest in the licensed public-houses which they virtually own. During the epoch of prosperous finance, and great surplusses on yearly budgets, taxes on fire insurance, on sugar, and on tea, were materially reduced, as well as on some other foreign imports.

When Mr. Disraeli came into office in 1866, the revenue again exceeded the estimates, and attention was now directed towards a systematic extinction of the public debt, by the creation of short annuities. In the interval, a new Reform Bill was carried, a fresh election became inevitable, and the result was, in 1868, the restoration of Gladstone's party to office. Again the revenue was declared to be in excess of the estimates, and the shilling duty on imported corn, which its advocates called a registration fee, was repealed. The old sliding scale had hardly ever aided the revenue, the shilling duty produced nearly a million when it was abolished. Of course it raised the price of all home-grown corn by the amount of the duty. But it also prevented the country from being a free port for corn. This was Mr. Lowe's plea, but he told me that he was surprised at the indifference with which the landowners viewed the extinction of the last protective duty on their produce. Mr. Lowe might easily have discovered the reason. Their rents were progressing more rapidly than they had under protection and fluctuating prices, for they were rising (you may find the fact in the schedule of the farmers' income tax) at the rate of $1\frac{1}{2}$ p.c. cent. per annum. The protectionist cry has been revived under the shrinkage of rents and the fall of prices. The old assessed taxes were also modified, a license being substituted for an assessment. The sugar duties were also lowered.

Now, while it is true that a growing revenue enables a finance minister to recast his system of finance, it also stimulates the demands of those who wish to increase expenditure in any one of the three principal items of cost, the army, the navy, and the civil service, and sometimes the unwarrantable compensations for vested interests. The public defence cost ten millions more after the events of 1860, and the charge of the military and naval establishments kept steadily rising. The education of the people had been insisted on, and the charge, which should have been entirely a local obligation, was put mainly on the public revenue. It was determined to abolish purchase in the army, and to compensate those who resigned their commissions. But the services were strong enough to demand and secure that they who had broken the law by paying an extra or over-regulation price for their commission should be compensated because they had com-

mitted an entirely illegal act. Again, much of the civil service charge was for services of necessity and value, but it may be doubted whether, if the revenue had proved inelastic, that the Government of the day would have been very hasty in sanctioning these new charges. But nations, I presume, like individuals, are apt to increase their establishments with their fortunes, and it may be with no better reason than individuals occasionally act, from ostentation.

The budget of Mr. Lowe in 1871 was ambitious. It proposed to do away with the distinction between real and personal property in the legacy duties, and to increase the rates. This project was by itself sufficient to make the proposals generally unpalatable. But Mr. Lowe contrived to make his budget not only distasteful, but ridiculous. He proposed the well-known match tax, provoked the indignation and the remonstrances of a very poorly paid body of workpeople, and the laughter of every one else. He also proposed to alter the mode in which the income tax was voted, from so many pence in the pound, to a percentage. The change commends itself to the financier who has to handle the income tax, because it enables him to vary the fractional percentage, more easily than it is to vary the proportion in the pound, rated in pence and its divisions. But it involved elaborate calculations on the liability, though, of course, these could have supplied in print to the collectors. The budget was abandoned, and the income tax was raised from 4d. to 6d. The tax lasted for a year only, for the surplus was 3½ millions. In the next year it was 4½ millions, and a reduction in the sugar duties was effected. The income tax was reduced to 3d., and Mr. Gladstone proposed that it should be at last, since the experiment which had justified it had been abundantly successful, entirely extinguished. He had this reason for his action. He knew that there would be a great surplus. It was in the end six millions. But he had a further reason, which might have been advantageously promulgated. Had he avowed it, it would have taken away that appearance of a bribe, which the suggestion seemed to hold out.

As I have stated, the existence of a continuous surplus in the revenue suggests, on the one hand, remissions of taxation, on the other, spending on departments, and certain classes of persons.

The great elasticity of the revenue due, I am convinced, to the fact that Great Britain was working to fill up the void which war and waste had produced in America and Europe, was believed to be a continuous and recurrent phenomenon, and not an exceptional one, to be traced to its true causes. Now one of the forms which the demand for a portion of this progressive revenue took, was that of relieving the landowners, through the occupiers, of a part of those local charges which are necessarily incurred, in order that occupancy may be continuous and safe. Mr. Goschen, in 1869, had proposed that local taxation should be divided between owner and occupier. His proposal never went beyond a literary effort, or what is in effect the same thing, a parliamentary report. But it was sufficient to frighten the landowners. They began to urge that the incidence of local taxation, not levied on themselves the agriculturals, and in towns the ground landlords, was onerous, that the duties discharged by local taxation were in great part rational, and that the weight should be lightened by transferring part of the charge to the owners of realized and untaxed wealth. They never pretended to discuss who really paid local taxation and who did not, who bore the loss, and who reaped the profit of the vicarious sacrifice. In consequence they made continual claims on the imperial revenue. One political party existed by, and for, the landowners, and a large minority of the other political party, whatever were their protestations in theory, were eager to mulct the taxpayers in practice. They put, gradually burden on burden, justly due from land on the consolidated taxes. The instrument of the income tax was ready to their hand, and I am sure that if the income tax, when it came to 3d. in the pound in 1873, and it was clearly foreseen that there would be a surplus of six millions had been reduced, there would have been an end of the landowners' raids on the public purse. It is to be regretted that the case was not stated. When I stated it (as I state it to you now) twelve years after this crisis of 1874, no person who opposed what I said ventured to contradict my facts and my inferences, or disputed my criticism on the economical policy of the country party.

The Government which followed on the election of 1874 could

not help remitting a portion of the income tax. It was reduced to 2d. in the pound. The duty on sugar was repealed. A million was given, in the way which I have described, to the landowners. At this time came the turn of the tide. The cost of the three services was increased, and back went the penny. The relief to the landowners was increased, and twopence more went back on the income tax. Northcote put a very foolish additional tax on tobacco, the effects of which the dealers took care to evade; indeed, were taught by the budget how to evade it. Then came the terrible harvest of 1879, the rapid collapse of the farming class, and the return of Mr. Gladstone to the Exchequer. The deficit was two millions, and there was a wanton war at the Cape, with a charge for the Eastern Question.

The principal feature in the budget for 1880-81 was the repeal of the malt duty, and the substitution for it of a tax on the alcoholic powers of brewers' worts. It was an answer to an old-standing complaint, a concession to a farmers' grievance. But I well remember that it was not equally acceptable to the brewers. An additional penny was put on the income tax. In the year 1882-83, an additional 1½d. was put on for the expenses of the Egyptian trouble, the bombardment of Alexandria, and the war with Arabi. In 1884-85 another penny was put on to enable the British Government to deal with the Mahdi. But the Mahdi was more difficult to deal with than had been conceived, and the income tax was raised to 8d., the sinking fund being suspended, which seems to be the same thing as perpetuating a high income tax, of which the normal or peace rate was put at 5d., though five years before it might have been extinguished altogether. The budget of Mr. Childers contemplated an increase on the beer and spirit duties, and the equalization of the taxes on succession (not probate) of real and personal property. The budget was rejected, the country party preferring a deficit to meeting their share of taxation. A dissolution followed, and the Gladstone party was still in the ascendant. An attempt was made by myself to carry out Mr. Goschen's suggestions of 1869, *i.e.*, of dividing local taxation between owner and occupier. I carried my motion, and with it the doom of the Parliament, for it was plain to me speedily after any success, that the landed interest would never

forgive a House which was resolved to do justly. No financial expedients of importance have occurred since, and we are close only to experiments, the significance of which had better not be handled.

^a Most of the facts which are collected in this lecture come from Mr. Dowell's work on taxation. The comments of course are my own. I am not conscious of any bias in what I have said, or say, when I allege that the extraordinary expenditure of Government seems likely to be provided, as it has been in recent years, from the most unfair, indefensible, and nearly the most mischievous tax that can be devised. But as the patriarch said, Issachar is a strong ass, and if, as some say, we are descended from the lost tribes, I make a shrewd guess at the particular tribe to which we must assign our origin.

INDEX.

- ACCOUNTS kept by farmers, 229, 232,
 341
 Adulteration of goods due to competi-
 tion, 388
 ————— for African trade,
 413
 Agricultural inventions adopted slowly,
 • 31, 253, 352
 ————— rents, rise of, and bankers'
 loans, 84
 ————— machinery in Ireland, 263,
 315
 ————— depression and emigration,
 291
 ————— labourer migrates to towns,
 315
 ————— labourer, wages of, 334,
 356
 ————— improvements of, in four-
 teenth century, 349, 352
 Agriculture, importance of, to the Physi-
 ocrats, 188
 ————— place of, in industry, 191
 ————— the new, imported to Eng-
 land, 253
 ————— in Scotland backward till
 recently, 256
 ————— and division of employ-
 ments, 26, 28-29
 ————— an invariable employment
 in Middle Ages, 170, 348
 Aislabie and the South Sea Co., 139
 Aliens, English laws about, 301, 306
 ————— English laws about, gradually
 relaxed, 307
 Allotments Act of 1589, 172, 257, 362
 ————— in modern times, 266-268,
 343, 363
 ————— an assistance to wages, 304
 Altou, robbers of, 296
 American War of Independence de-
 stroys theory of sole market, 18
 America, English settlements in, 276
 Arable land, rent of, in Middle Ages,
 209
 Arguments against joint-stock, enter-
 prise, 145-7
 ————— in favour of joint-stock en-
 terprise, 148-152
 Army, English, in Middle Ages en-
 listed, 322
 ————— cost of, 460
 Arkwright's monopolies, 17
 Artistic skill of Middle Ages, 27
 Assiento, Treaty, 128
 Athenry, battle of 274, 294
 Atterbury's conspiracy, 80
 Australasia as a home for emigre
 282
 BARRAGE on the division of employ-
 ments, 31, 32
 Badgers licensed by the king, 371
 Bakewell's discovery in breeding, 227,
 344
 Balance of trade explained, 111
 Baltimore, Roman Catholic State of,
 founded, 278
 Bank Act of 1844, 87
 Bank failures of 1825, 333
 Bank of Amsterdam, 123
 Bank of England, origin and career of,
 123-132
 ————— and English credit,
 82, 138
 Bankruptcy Law in France explained,
 144-5
 ————— and enforcement of
 contracts, 238
 Baring described by Peel, 440
 Benbow's captains guilty of cowardice,
 102
 Bentham's attack on Blackstone, 2
 Bigod's Norfolk Estate, 9, 250, 274

- Bimetallism, theories on, 326
 ——— Tooke on, 327
 ——— in 1825, 331, 338
 ——— and old rents, 336
 ——— in France, 338
 ——— economic results of introduction of, 339
 Blackburn, Archbishop, alleged to have been a pirate, 12
 Bricks, tax on, levied by Vansittart, 429
 Brick-making in England not known till end of fifteenth century, 11
 Brigandage of Middle Ages, 295
 Brodrick's Irish Code, 165
 Budget, secrecy of the, explained, 85
 Building land, rise in rent of, 209
 Bullion, regulation of the trade of, 320
 By-industries in peasant agriculture, importance of, 343
 Caird, Sir James, on the depreciation of capital by dispossession, 233
 Canning and the Holy Alliance, 332
 Cannyng, birthplace of, 7
 Capital unimportant as compared to labour, 25
 ——— divided into *annuelle* and *primitive* by the Physiocrats, 189
 ——— invested in agriculture depreciated by dispossession, 233
 ——— average, required per acre, 262, 314, 357
 ——— economic absurdity of the theory of the mobility of, 342
 ——— and capitalists, competition of, 376
 Caravan routes blocked, ruin of Bruges, &c., 8, 93
 Chadwick's sanitary crusade, 40
 Chauvinism in politic science, 1
 Chevalier on gold, 336
 Chichele, birthplace and ancestry of, 7
 Child's East India party in Parliament, 122
 Chonler, Mr., and the repeal of the Corn Laws, 445
 Cicero and the Collegia of Rome, 139
 Clarendon, his history quoted, 13
 Cloth as an English product, 396
 Coal, variations in the price of, compared with variations in the price of wages, 180
 Coercion for Ireland, Peel on, 451
 Coinage of gold and silver in England, proportion of, 325
 Colbert, effect of the policy of, on French trade, 186
 Colleges of Oxford not founded in De Montfort's time, 6
 ——— of Oxford impoverished by bad management, 358
 ——— of Oxford buy tobacco for their Fellows, 398
 Collegia of Roman Republic and Empire, 139
 Colonial loans, extravagant nature of, 202, 288
 ——— trade of England in eighteenth century, 401
 Commercial treaty with France, 453
 Commercial bills, history of, 70-71
 Competition, economic effects of, 365, 376
 ——— defended by Mill, 375
 ——— of capitals and capitalists, 375
 ——— causes trade to shift localities, 383
 ——— and adulteration, 389
 ——— abroad and Protection at home, 391
 Conacre in Ireland, 252
 Consolidation of farms, historical reasons for, given, 258
 ——— of farms, dangers of, 262, 264
 Constitutional practices long precede historical notice, 5
 Continental War, effect of, on English trade, 416
 Contracts for use of land, 226-247
 Convict colonies settled by the Government, 280
 Co-operation, as used by Gibbon Wakefield, 31
 ——— described by Mr. Holyoake, 156
 ——— in Leicester, 160
 ——— in dairy farming, 246, 388
 ——— in agriculture, 268
 Co-operative stores in London, 388
 Corn exported from England in Middle Ages, 8
 ——— exported from England in eighteenth century, 14
 ——— Laws repealed, 150
 Corn Laws in England, history of, 439-460
 ——— supply of England in fifteenth century, 47
 Cornwall, mining system in, 153

Cornwall, land system in, 154
 ——— economic effect of Trade Unionism in, 182
 Corruption of the Corporation of London, 122
 Credit agencies, antiquity of, 66
 Crimean war and taxation, 452
 Cromwell's attempts to get sole market, 13
 Cromwell and the navy, 116
 ——— and trade monopolies, 121
 Currency, eight principles for regulating, 329

DEAD WEIGHT ANNUITY, the, 430
 Defoe on the true-born Englishman, 293

Delusions sometimes as stimulating as realities, 16

Development of credit agencies, 65-88
 ——— transit, 89-112

Direct taxation, Gladstone on, 454
 ——— economics of, 457-8

Dissolution of the monasteries, extinguished rights of founders to reversion, 207

Dissolution of the Monasteries not reversed by Mary, 351

Distribution of wealth, inquiry into, should precede inquiry into production of wealth, 22

Division of employments, 2, 26, 31
 ——— of employments, effect on wages-earning power of labour, 32

Dowell's "History of Taxation," 423, 464

Duty, reduction of, causes rise in prices, 85

Dwight, Dr., on trusts in America, 372

EAST INDIA COMPANY, origin and career of, 118, 130-1

East India Company, monopoly of, 119

East India Company imports gold, 132

Ecclesiastical commissioners in Wales, 218

Ecclesiastics in England of fifteenth century computed, 48

Economic problems, solution of, becoming practical politics, 2

——— corruption, the destruction of the Roman Republic, 37-8

Economic corruption the destruction of the Stuart Dynasty, 39

——— History of chartered trade companies, 113-137

——— legislation, 1815-41, 415-440

——— legislation, 1842-89, 441, 464

——— doctrine of waste, 184-204

——— reforms since 1820, 355

Economists speculating on progress of human invention, 24, 216

Egyptian trade route destroyed by Selim I., 8, 93, 369, 400

Eight hours movement criticised, 158

Emery powder as a natural monopoly, 392

Emigration, modern reasons for, 287
 ——— and excess of population, 289

Empire, the, salvation of Roman civilization, 38

Enclosures of common land, 257

Engrossing defined, 371

Exceptional treatment of land, 206

Excise unpopular in Scotland, 319, 428

——— England, 386, 428

Exclusiveness of English life in Middle Ages, 7, 10

Executions in the seventeenth century, 166

Explorations of antiquity, 92

——— sixteenth century, 93-4, 400

FAIRS of the Middle Ages, 297

——— author's father purchased household goods at, 385

Famine of 1630, 13

——— endemic in Ireland before 1845, 59

——— 1845, 449

Farmers ruined by extravagant style of living, 231, 357

——— Club, paper on cost of production, read at, 334

Fertility of criminal classes, 69

Flemings, immigration of, 299-302

Flemish lease explained and recommended, 261

Foreigners unpopular in England, 396

Forestalling defined, 371

Forgery of trade marks by Germans, 391, 414

Fox, Henry, and the sole-market theory, 99

- Free carriage in England, impossibility of, 328
- Free Trade restores sole market for England, 20, 407
- policy of England criticised in America, 411
- Education and efficiency of labour, 41
- Fresholders, Gregory King's estimate of the number of, 253
- Freights, effects of, on agriculture, 216
- French Revolution and sole-market theory, 20
- caused by temporizing of economists, 23
- influence of the Physiocrats on, 190
- English sympathizers with, 417
- Bankruptcy Law, 144
- Fruit, cultivation of, abroad, 234
- Funds collected by Trade Unions, 163
- GAME Laws, novel idea of, 171
- Gastronomic waste, 204
- George III.'s influence on English politics, 419
- George and Malthus on increase of population, 61-64
- on the profits of capital, 159
- on the profits of landlords, 219
- and "Progress and Poverty," 220
- German migration to England, 312
- weakness after Continental War, 406
- Gibbon on *ex post facto* laws, 79
- Giffen, second volume of essays, 2
- Glasgow Bank, collapse of, 149
- Godwin and Malthus on increase of population, 55-58
- Gold, currency, seigniorage on, 327
- England the first country to employ, 332
- adopted on the Continent, 337
- coinage of Middle Ages, 321
- value of, as compared with silver, 314
- Goldsmith's Company, bequest to the, 210
- Government, proper functions of, 318
- Greenways, the, of Leafington, career of, 149
- Guilds of the Middle Ages, 138
- Guilds of the Middle Ages restrain competition, 369
- HANSEATIC League formed to suppress piracy, 4, 300
- League full of vigour in the thirteenth century, 3
- League in England, 300
- Highlanders, emigration of, to Canada, 279
- Holland, wealth of, not gained by agriculture, 192
- Home trade and domestic competition, 365-389
- international competition, 390-414
- Hops, tax on, 459
- House Tax, 426, 433
- Hoveden, Walter, and the All Souls survey, 50
- Huguenots, causes of enterprise of, 35
- migrate to England, 304
- descendants of, in England, 306
- Hundreds of Kent, population of, in sixteenth century, 49
- Huskisson's reforms of finance, 431
- IMPEACHMENT as part of the English Constitution, 80
- Immigration of Flemings in seventeenth century, 303
- undesirable persons, 309
- Imports and exports compared, 111
- Income Tax, history of, 424, 430, 446, 449, 452-454, 461-464
- and Government credit, 447
- Increase in rents due to improvement in agriculture, 214
- Indirect taxation, Gladstone on, 454
- Indian corn, price of, and the rupee, 339
- Insurances, taxes on, 426, 459
- Interest on land, rate of, compared with interest on stock, 230
- Ireland, economic oppression of, 242
- settlements in, 275
- Irish, emigration of, to United States, 280, 292
- Iron, prices of, in fourteenth century, 10
- process of refining, discovered, 14
- price of, compared with lead, 14, 369
- JENKINS' ears and the war, 136
- Jews migrate to England, 310

- Joint-stock companies and regulated companies, 115
 ——— principle in capital, 138-161
 ——— enterprise, arguments against, 145-147
 ——— enterprise, arguments in favour of, 148-152
 ——— principle in labour, 162, 183
 Judges demand increase of salary, 456
 Jusserand on public peace of Middle Ages, 297
- KENTISH HUNDREDS, population of, in sixteenth century, 49
 Kenyon, Lord, on the offence of regrating, 372
 ——— granted powers of rating machinery, 383
 King declares workmen a burden on the wealth of the country, 352
 ——— on the saving power of farmers, 352
 King's Lynn, an important seaport, 383, 412
 Knight service compared with villeinage, 347
- LABOUR, importance of, to well-being of nation, 25
 ——— wage-earning power of, increased by division of employment, 32, 173
 ——— efficiency of, and sanitation, 40
 ——— and free education, 41
 ——— as a saleable commodity, 169
 ——— of farmer worth £100 per annum, 264
 ——— compared with hired labour, 364
 ——— laws and emigration, 290
 Labourers' Act of 1863, 171
 Land system in Cornwall, 154
 ——— ownership in, limited by common law, 207
 ——— system in Ireland, 241, 244
 Land Tax made perpetual by Pitt, 420
 Landless man regarded as a brigand, 251
 Langlois cultivation continued till recent times, 252, 350
 Landlords, good and bad, 236
- Landlords and tenants, relation of, settled abroad, 259
 ——— and tenants, relation of, in England, 240
 ——— impose duty on foreign corn, 443
 Landowners of the Middle Ages, their services to society, 208, 251
 ——— interest in production, 222
 Large and Small Holdings, 248, 269
Latifundia perdidere Italiam, 248
 Latimer on peasant agriculture, 348
 Lead, price of, compared with iron, 14, 369
 Lease of Lord Leicester, 247
 ——— Flanders, 261
 Leicester, Lord, his lease, 247
 Libel of English policy, 91, 411
 Licenses, taxes on, 426, 455
 Limitation of man's power over difficulties of nature, 24
 Linschoten's voyages, 95
 Local taxation, incidence of, 463
 London more ready to admit strangers than other towns, 7
 ——— insanitary condition of, in seventeenth century, 40
 Lovell, Lord, his accounts, 170
- MACAULAY'S inaccuracies, 47
 MacCulloch, mischievous nonsense written by, 2, 243
 Machinery introduced in trades, 382
 Malt Tax, history of the, 424, 433, 434, 459
 Malthus and Godwin, 55, 58
 ——— and Henry George, 61-64
 Malthusian doctrine tested by history, 59, 60
 ——— and secondary wants, 368
 Manor Court, antiquity of the, 5, 6, 346
 ——— the nature of the, 346
 Marketing by private families extinct in England, 387
 Match trade, strike in the, 181
 Melbourne, Lord, on the Corn Laws, 445
 Mercantile law, antiquity of, 68, 69
 ——— Marine of England founded in South-eastern counties, 354
 Merchandise Marks Act, 177
 Merchant navy of England referred to by Barbarossa, 11

- Merchant navy of England sinks under
 the Tudors, 12
 Merchants' petition presented in 1820,
 429
 Methuen Treaty, economic effects of
 the, 393, 397
 Middleman, prices enhanced by the,
 384
 Milford Haven, advantages of, as a
 port, 411
 Mill's political economy, 169
 — on unproductive labour, 194
 — on Ricardian doctrine of rent,
 215
 — on House Tax, 426
 Mining royalties, economic effect of,
 153
 — system in Cornwall, 153
 Mint, coinage at the, in seventeenth
 century, 325
 — coinage at the French, 336
 Mohegans, the last of the, 278
 Molyns, Adam du, the murder of, 91
 Mompesson and trade monopolies, 118
 Monopolies of chartered companies,
 103
 — of chartered companies, *ex*
 parte defence of, 120
 — economic, conditions pre-
 cedent of natural, 378
 — emery powder a natural,
 392
 Montague and the New East India
 Company, 124
 Monteale and Fiscal Reform, 435, 453
 Morley, the late Samuel, on commer-
 cial integrity, 412
 Mortality of London in seventeenth
 century, 198
 Movements of labour, emigration, 270,
 292
 — labour, immigration, 293,
 316
 — currency, bi-metallism,
 317-339
 Muratori, on Italian commercial law, 69
 NATIONAL character, economic import-
 ance of, 35
 Naturalization of aliens, 307
 Navigation Acts, 101, 105
 Navy of England in Middle Ages, 91,
 394
 Newcastle, Duke of, on ownership of
 property, 258
 Nonconformity in England, services to,
 the State, 39
 Nottingham Frauge-breakers Act, 382
 Nullum Tempus Act of 1768, 207
 OFFICIALISM in Governments, dangers
 of, 36
 Oldham Mills, success of, 157
 Overend and Gurney, collapse of, 149
 Overpopulation, dangers of, 25
 — economic checks on,
 62
 — in certain classes of
 society, 64
 Overstone, Lord, on banking, 65
 — on genius, 66
 Ownership in land, right to, disputed,
 209
 — in land limited according
 to common law, 207
 — of property, the Duke of
 Newcastle on, 208
 — in land always large in
 England, 249
 — large to be distinguished
 from large occupancy,
 249, 260
 Oxford Colleges subscribe for Hugue-
 nots, 305
 — buy tobacco, 308
 — University and the Guilds, 370
 PACIFICATION of the Border, 52
 Papal plunder of England, 323
 Paper Duties repealed, 454
 Panics of 1825, described by Mr.
 Tooke, 86-7
 Parnell, Sir Charles, on Fiscal Reform,
 433, 446
 Partnership, early forms of, 140
 Pasture land, rent of, in Middle Ages,
 209
 Paul, Sir John Dean, career of, 149
 Peace, public, preserved within manors,
 7, 208, 294-6
 — of Paris, progress of England
 dates from, 15, 403
 Peasant proprietorship in Ireland due
 to political causes, 26, 362
 — proprietorship, literature on,
 265
 — proprietorship elevates condi-
 tion of labour, 314, 350
 — agriculture and manufacture,
 340-364
 Peck, Bishop of Chichester, deprived
 by Bourchier, 164
 Peck, Mr., on the "worthless" class,
 64

- Peel, Sir Robert, on money and credit, 72
 — Prime Minister in 1841, 446
 — repeals Corn Laws, 451
 — on Irish Coercion, 451
 — on the Revolution of 1848, 451
 Penn's case quoted, 166
 Physiocrats, rise of the, 187
 — reforms effected by the, 193
 Piety in bankers, a prelude to insolvency, 84
 Piracy suppressed by Hansatic League, 4
 — in European waters, 114
 Pitt and the Continental war, 418
 Plantations settled by convicts, 280
 Poets, great, have few descendants, 59
 Political, not social, reasons for emigration of Puritans, 283
 Politics becoming solution of economic problems, 2
 Poll Tax of 1377, population estimated by, 47
 Popularity of wasteful people, 185
 Population in England in Middle Ages, 46-9
 — towns in Middle Ages, 48
 — Kentish Hundreds in sixteenth century, 49
 — seventeenth century, 51
 — the eighteenth century, 52
 — in 1815, 423
 — Ireland, 292
 Porter on the incidence of taxation, 420
 Portugal an English ally, 393
 Post Office reform in England, 437
 Poverty in England in fifteenth century, 10
 Pretender and collapse of commercial credit, 126
 Prices diminished by three causes, 334
 — not influenced by Bimetallism, 336
 — fixed by agreement in certain trades, 379
 Prince Albert's Taxes, 438
 Probate duty in England, 423
 Protection to agriculture afforded by freights, 216, 390
 — to English goods against French, 319
 Protection, economic effects of, 368
 — to agriculture by enactments, 404
 Provisors and Præmunire, statutes of, 323
 Puritan settlement in New England, 276
 QUESNAY's parallel of Society, 191
 RACKRENTING in England, 352
 Railway mania of 1825, 83, 107, 449, 451
 — improvements and the Bessemer process, 109
 — enterprise and taxation, 449
 Raw material, taxation of, 448
 Realty and Personality, laws on, 421
 — probate duties on, 423, 461
 Receipt stamps, one penny, due to Mr. Christie, 452
 Recreation as unproductive labour, 196
 — economic importance of, 366
 "Registration tax," 448
 Regrading defined, 371
 Regulated companies and joint-stock companies, 115
 Religious reasons for emigration of Puritans, 284
 Rent of land in the Middle Ages, 200, 351, 352
 — justice of, attacked, 211
 — increase of, due to improvements in agriculture, 214
 — the outcome of profits, not prices, 215
 — exceptional position of, 223
 — economic defence of, 224
 Rents, dangers of excessive, 227
 — rise in, up to 1874, 228, 234
 — in Ulster compared with those in England, 237
 — paid by small holders greater than those paid by large holders per acre, 245
 — modern, below economic value, 359, 366
 — affected by Corn Laws, 444
 — effect of taxing, up to full value, 457
 Restraint of Trade, laws in, 381
 Revolution of 1848, 451
 Ricardian doctrine of rent attacked, 213
 — doctrine of rent, errors in explained, 214

- Ricardian doctrine of rent, and J. S. Mill, 215
 Robinson's reforms in finance, 432
 Roswyg on the coinage of the French Mint, 336
 Rupee, value of the, in India, 337
 SALT industry revived in England, 379
 — deposits in Europe, 380
 — tax on, levied by Pitt, 427
 Sanitary reform, economic importance of, 40
 Scottish agriculture, 236
 Seaport towns, relative importance of, in Middle Ages, 412
 Secondary wants, expression of, 366
 Security, uncalled capital as, 150
 — needed for farmer, 360
 Senior on the precious metals, 324
 Serfs position compared with the lords, 346
 Shops, a development of modern times, 386
 Silver, in Middle Ages, got from England, 321
 — in Middle Ages, exportation forbidden, 323
 Sinclair, Sir John, and Scottish agriculture, 256, 359
 Sinking Fund formed by Pitt, 431
 Sitting tenant, economic condition of, 246, 360
 Skill of agricultural labourer, 28, 29
 — of English farmer, 356
 Small holdings, literature on, 265
 — in thirteenth century, 345
 Smith's "Wealth of Nations" comprehensive and cosmopolitan, 3
 — criticism of regulated and joint-stock companies, 117
 — doctrine of rent, 208
 — on endowments on education, 359
 — on regrating and forestalling, 374
 — on the sole-market theory, 402
 — on the House Tax, 426
 Smoking in the Houses of Parliament, 397
 — in Oxford Colleges, 398
 Snollett's account of the English navy in "Roderick Random," 102
 Sple market for England, 14-21, 53, 99, 399
 — the object of Continental ambition, 402
 South Sea Scheme, progress and collapse of, 75-77, 125-129
 Spaniards in America, 277
 Spanish Republics and English loans in 1825, 83, 332
 Spring Rice, his deficits in 1839, 436
 Stamp Act of 1694, 422
 Standard of comfort for paupers, 366
 State ownership of land, objections to, 217
 — regulation of currency, 327-329
 Statute merchant and statute staple, 71
 — of Frauds and confiscation of land, 207
 — and wills, 422
 Strutt and Arkwright's machine, 17
 Sugar trust in America declared illegal, 373
 — tax on, 427, 461
 Swift on Irish misery, 59
 — on Irish tenants, 242
 — on the attitude of Whigs and Tories to the Church, 285
 TAXATION, history of, by Stephen Dowell, 423, 464
 Technical education and economic progress, 41
 Tender, gold and silver alike legal, 332
 Theory of economic rent, the, 205-225
 Thring, Lord, on the Companies Act, 1862, 82
 Throgmorton case quoted, 166
 Tin, fluctuations in the price of, 153
 — fluctuations in the price of, compared with variations in wages, 156
 Tithes, incidence and effect of, 218
 Tobacco, price of, in England, 398
 — duty on, allowed to lapse by accident, 432
 Torrens, Col., and the Bank Act of 1844, 65
 Tooke, Mr., and the Bank Act of 1844, 65
 — and the Merchant's Petition, 429
 — on Bimetallism, 327
 Towns, population of, in the fourteenth century, 48
 Trade routes of antiquity, 91
 — ancient meaning of word, 162
 — Unions in Middle Ages, 164, 174
 — in Middle Ages, first mention of, 175
 — prescription of, 176

- Trade Unions as industrial partnership,
177-179
— and variations in wages,
180
— and foreign immigration,
311
- Tresham, Mr. Speaker, murdered in
1450, 7, 297
- Trevor, Mr. Speaker, expelled the
House, 122
- Trusts declared illegal at common law,
372, 373
- Turgot and the Physiocrats, 189
- Turnips culture in England, delay in
introduction of, 31
- Ulster, economic condition of agricul-
ture in, 172, 237
— tenant right in, 243
- Unearned increment and J. S. Mill, 215
- United States as a home for emigrants,
281, 307
— damaged commercially
by Protection, 409
- Universities Co-operative Association,
collapse of, 151
- Unlimited coinage, impossibility of, 328
- "Unproductive" labour, 30, 194
- Value of money in Middle Ages, 62
- Vansittart's taxes, 429
- Virginia and the tobacco trade, 399
- Wadham, Dorothy, buys from the fore-
of the works, 170
— College designed by an anson,
27
- Wages, variations of, compared with
variations in price of tin, 155
— variations of, compared with
variations in price of coal, 180
— variations of, compared with
variations in price of food, 256
- Wages of agricultural labour, 335
— assisted by allotments, 383
- Wakefield, Gibbon, on distribution of
employments, 2, 26, 30
- War, economic effects of, on non-com-
batants, 459
- Waste excusable sometimes, 200
- Watson, Bishop of St. David's, deprived
by Tenison, 164
- Wheat crop of England in the fifteenth
century, 47
- Wills, origin of, due to the Church, 422
- Wines, *ad valorem* tax on, 434
- Window tax repealed, 452
- Woods and Forest Department's lease
in Cockspur Street, 210
- Wool, English monopoly of, during
Middle Ages, 9, 395
- York, House of, strongest in Eastern
Counties, 9, 298
— popular in Ireland,
274
- Young, and the French Revolution,
187, 239, 255, 416
— on wages in north of England, 19
— on misery in Ireland, 59
— on the new agriculture, 254
— on enclosures, 257
— on the magic of property, 261
— on rent of land, 268, 344, 354
— on the amount of capital neces-
sary per acre, 314
— on small holdings, 343
— on Bakewell's stock breeding,
344, 353
— on the old agriculture, 353
— his theories on political economy,
353
— on gambling, 354
— on profits of middle men, 385
— on Corn Laws, 405
- Younger son, redundant in fifteenth
century, 63

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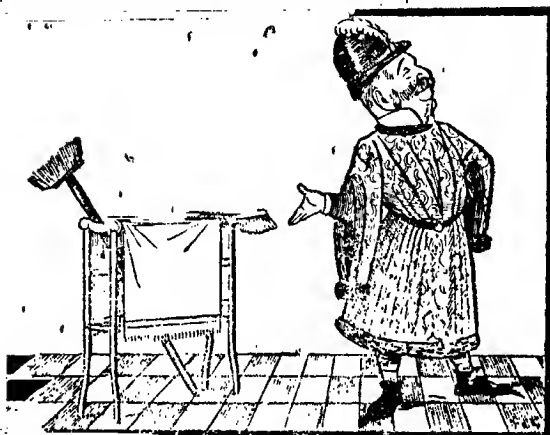
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